HON HAI PRECISION INDUSTRY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2009 AND 2010

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. The English translation does not include additional disclosures that are required for Chinese-language reports under Guidelines for Securities Issuers' Financial Reporting promulgated by the Securities and Futures Commission of the Republic of China.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders:
Hon Hai Precision Industry Co., Ltd.

We have audited the accompanying consolidated balance sheets of Hon Hai Precision Industry Co., Ltd. and its subsidiaries as of December 31, 2009 and 2010, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended, expressed in thousands of New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries which statements reflect total assets of $179,276,293,000 and $250,314,287,000, constituting 17.54% and 18.13% of the consolidated total assets as of December 31, 2009 and 2010, respectively, and total revenues of $250,162,251,000 and $409,044,811,000, constituting 12.77% and 13.65% of the consolidated total operating revenues for the years then ended, respectively. Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, except for the omission of certain additional disclosures relating to the investee companies, as required by Article 13-1 of the Rules Governing the Preparation of Financial Statements by Securities Issuers, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hon Hai Precision Industry Co., Ltd. and its subsidiaries as of December 31, 2009 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules

Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

As described in Note 3, effective January 1, 2009, the Company and its subsidiaries adopted the amendments to R.O.C. SFAS No. 10, "Accounting for Inventories".

PricewaterhouseCoopers, Taiwan
April 8, 2011

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 177,543,140	$ 254,241,323
Financial assets at fair value through profit or loss - current (Note 4(2))	320,985	85,049
Available-for-sale financial assets - current (Note 4(3))	1,278,839	969,600
Notes receivable, net (Note 4(4))	10,766,527	7,160,387
Accounts receivable, net (Note 4(4))	277,881,365	383,979,526
Accounts receivable, net - related parties (Note 5)	18,957,770	18,679,337
Other receivables (Notes 4(5) and 5)	24,077,227	30,893,285
Inventories, net (Notes 3 and 4(6))	180,979,701	259,383,715
Prepayments (Note 5)	4,521,145	5,121,096
Deferred income tax assets - current (Note 4(15))	3,247,758	4,034,243
	699,574,457	964,547,561
Funds and Investments		
Available-for-sale financial assets - non-current (Note 4(3))	17,056,571	13,735,973
Financial assets carried at cost - non-current (Note 4(7))	1,500,572	3,039,286
Equity investments under the equity method (Note 4(8))	32,688,361	35,931,938
Prepayments for long-term investments (Note 4(8))	427,130	30,556
Other financial assets - non-current (Note 6)	3,550,787	58,319,120
	55,223,421	111,056,873
Property, Plant and Equipment (Notes 4(9), 5 and 6)		
Cost		
Land	3,863,939	4,085,467
Buildings and improvements	110,709,699	120,125,861
Machinery	154,766,994	190,502,643
Molding equipment	2,897,287	4,473,691
Testing equipment	20,776,078	22,981,119
Office equipment	13,000,893	13,982,903
Tooling equipment	3,194,607	3,329,030
Other equipment	29,925,748	31,796,808
Cost and revaluation	339,135,245	391,277,522
Less: Accumulated depreciation	(116,829,656)	(140,549,750)
Accumulated impairment	(3,296,540)	(5,220,239)
Construction in progress and prepayments for equipment	15,609,092	26,642,156
	234,618,141	272,149,689
Intangible Assets (Note 4(10))		
Goodwill	1,317,381	215,474
Other intangible assets	476,011	139,824
	1,793,392	355,298
Other Assets		
Deferred charges	5,149,757	6,782,214
Other assets - other (Note 4(11))	25,586,121	25,640,486
	30,735,878	32,422,700
TOTAL ASSETS	$ 1,021,945,289	$ 1,380,532,121

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HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2010
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans (Note 4(12))	$ 80,244,711	$ 199,857,014
Short-term notes and bills payable (Note 4(13))	-	9,591,288
Financial liabilities at fair value through profit or loss - current (Note 4(2))	57,756	182,234
Accounts payable	281,722,061	403,617,098
Accounts payable - related parties (Note 5)	18,807,491	23,536,212
Income tax payable (Note 4(15))	13,237,858	14,626,004
Accrued expenses (Notes 4(14)(20))	50,396,547	59,098,806
Payables for equipment (Note 5)	4,058,968	11,197,683
Other payables	6,060,236	6,803,587
Receipts in advance	3,730,502	6,808,528
Long-term liabilities - current portion (Notes 4(16)(17))	6,000,000	21,006,300
Accrued warranty liabilities	7,644,237	13,553,800
Other current liabilities	3,275,578	1,373,821
	475,235,945	771,252,375
Long-term Liabilities		
Bonds payable (Note 4(16))	29,539,400	45,635,371
Long-term loans (Note 4(17))	33,109,650	42,319,850
	62,649,050	87,955,221
Other Liabilities		
Reserve for retirement plan (Note 4(18))	1,079,243	1,091,012
Deferred income tax liabilities - non-current (Note 4(15))	5,341,871	2,853,999
Other liabilities - other	2,928,201	3,933,509
	9,349,315	7,878,520
Total Liabilities	547,234,310	867,086,116
Stockholders' Equity		
Stockholders' Equity of Parent Company		
Capital stock (Note 4(19))		
Common stock	85,789,319	96,612,482
Capital reserve (Note 4(21))		
Paid-in capital in excess of par value of common stock	23,670,255	28,591,137
Capital reserve from conversion of convertible bonds	18,482,483	18,482,483
Capital reserve from long-term investments	13,960,767	14,707,803
Capital reserve from conversion right (Note 4(16))	1,195,200	3,229,640
Retained earnings (Note 4(22))		
Legal reserve	36,537,436	44,105,947
Undistributed earnings	228,813,896	270,947,354
Other adjustments of stockholders' equity		
Cumulative translation adjustments	14,522,082	(9,330,319)
Unrealized gain or loss on financial instruments (Note 4(3))	16,902,917	13,265,130
Treasury stock	(18,901)	(18,901)
Stockholders' equity of parent company	439,855,454	480,592,756
Minority interest	34,855,525	32,853,249
Total stockholders' equity	474,710,979	513,446,005
Commitments and Contingent Liabilities (Note 7)		
Subsequent Events (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,021,945,289	$ 1,380,532,121

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated April 8, 2011.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

	2009	2010
Operating Revenue		
Sales (Note 5)	$ 1,960,207,084	$ 2,998,190,770
Sales returns	(978,073)	(920,113)
Sales discounts	(46,626)	(65,341)
Net operating revenues	1,959,182,385	2,997,205,316
Operating Costs		
Cost of goods sold (Notes 3, 4(6)(24) and 5)	(1,772,628,937)	(2,753,003,129)
Gross profit	186,553,448	244,202,187
Operating expenses (Notes 4(20)(24))		
Sales and marketing expenses	(36,208,086)	(64,045,996)
General and administrative expenses	(40,774,286)	(55,219,454)
Research and development expenses	(26,081,951)	(38,790,804)
Total operating expenses	(103,064,323)	(158,056,254)
Operating income	83,489,125	86,145,933
Non-operating income and gains		
Interest income	1,473,116	3,218,842
Investment income accounted for under the equity method (Note 4(8))	2,841,913	3,253,572
Dividend income	693,452	86,033
Gain on disposal of investments (Note 4(3))	761,501	547,963
Foreign exchange gain - net	726,921	2,889,672
Other non-operating income	3,870,338	4,485,114
Total non-operating income and gains	10,367,241	14,481,196
Non-operating expenses and losses		
Interest expense	(1,908,577)	(2,726,565)
Loss on disposal of property, plant and equipment (Note 5)	(18,600)	(250,940)
Financing charges (Note 4(4))	(15,197)	(365,224)
Impairment loss (Notes 4(7)(8)(9)(10))	(2,036,878)	(3,810,024)
Loss on valuation of financial assets (Note 4(2))	(27,342)	(85,721)
Loss on valuation of financial liabilities (Note 4(2))	(243,475)	(622,073)
Other non-operating losses	(1,575,333)	(1,289,374)
Total non-operating expenses and losses	(5,825,402)	(9,149,921)
Income before income tax	88,030,964	91,477,208
Income tax expense (Note 4(15))	(11,650,671)	(16,004,564)
Consolidated net income	$ 76,380,293	$ 75,472,644
Attributable to:		
Equity holders of the Company	$ 75,685,105	$ 77,154,551
Minority interest	695,188	(1,681,907)
	$ 76,380,293	$ 75,472,644

	2009 Before income tax	2009 After income tax	2010 Before income tax	2010 After income tax
Earnings per common share (Note 4(23))				
Basic earnings per common share				
Consolidated net income	$ 9.16	$ 7.95	$ 9.49	$ 7.83
Minority interest income	(0.10)	(0.07)	0.13	0.18
Net income attributable to equity holders of the Company	$ 9.06	$ 7.88	$ 9.62	$ 8.01
Diluted earnings per common share				
Consolidated net income	$ 9.09	$ 7.88	$ 9.19	$ 7.58
Minority interest income	(0.10)	(0.07)	0.13	0.17
Net income attributable to equity holders of the Company	$ 8.99	$ 7.81	$ 9.32	$ 7.75

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated April 8, 2011.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings		Other Adjustments of Stockholders' Equity				
	Common stock	Capital Reserves	Legal reserve	Undistributed earnings	Cumulative translation adjustments	Unrealized gain (loss) on financial instruments	Treasury stock	Minority interest	Total
2009									
Balance at January 1, 2009	$ 74,146,236	$ 52,944,370	$ 31,024,118	$ 177,920,130	$ 20,423,841	$ 4,727,053	($ 18,901)	$ 33,153,976	$ 394,320,823
Appropriations of 2008 earnings (Note 1):									
Legal reserve	-	-	5,513,318	(5,513,318)	-	-	-	-	-
Cash dividends	-	-	-	(8,156,086)	-	-	-	-	(8,156,086)
Stock dividends	11,121,935	-	-	(11,121,935)	-	-	-	-	-
Employees' stock bonus	521,148	3,448,441	-	-	-	-	-	-	3,969,589
Consolidated net income for 2009	-	-	-	75,685,105	-	-	-	695,188	76,380,293
Unrealized gain on financial assets	-	-	-	-	-	10,131,530	-	-	10,131,530
Adjustments due to changes in equities of long-term investments	-	915,894	-	-	-	2,044,334	-	-	2,960,228
Cumulative translation adjustment	-	-	-	-	(5,901,759)	-	-	-	(5,901,759)
Minority interest	-	-	-	-	-	-	-	1,006,361	1,006,361
Balance at December 31, 2009	$ 85,789,319	$ 57,308,705	$ 36,537,436	$ 228,813,896	$ 14,522,082	$ 16,902,917	($ 18,901)	$ 34,855,525	$ 474,710,979
2010									
Balance at January 1, 2010	$ 85,789,319	$ 57,308,705	$ 36,537,436	$ 228,813,896	$ 14,522,082	$ 16,902,917	($ 18,901)	$ 34,855,525	$ 474,710,979
Appropriations of 2009 earnings (Note 2):									
Legal reserve	-	-	7,568,511	(7,568,511)	-	-	-	-	-
Cash dividends	-	-	-	(17,157,864)	-	-	-	-	(17,157,864)
Stock dividends	10,294,718	-	-	(10,294,718)	-	-	-	-	-
Employees' stock bonus	528,445	4,920,883	-	-	-	-	-	-	5,449,328
Consolidated net income for 2010	-	-	-	77,154,551	-	-	-	(1,681,907)	75,472,644
Common stock issued for bonds conversion	-	2,034,440	-	-	-	-	-	-	2,034,440
Unrealized loss on financial assets	-	-	-	-	-	(3,172,934)	-	-	(3,172,934)
Adjustments due to changes in equities of long-term investments	-	747,035	-	-	-	(464,853)	-	-	282,182
Cumulative translation adjustment	-	-	-	-	(23,852,401)	-	-	-	(23,852,401)
Minority interest	-	-	-	-	-	-	-	(320,369)	(320,369)
Balance at December 31, 2010	$ 96,612,482	$ 65,011,063	$ 44,105,947	$ 270,947,354	($ 9,330,319)	$ 13,265,130	($ 18,901)	$ 32,853,249	$ 513,446,005

Note 1: Directors' and supervisors' remuneration amounting to $0 and employees' bonus amounting to $3,969,589 had been deducted from the Consolidated Statement of Income in 2008.

Note 2: Directors' and supervisors' remuneration amounting to $0 and employees' bonus amounting to $5,449,328 had been deducted from the Consolidated Statement of Income in 2009.

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated April 8, 2011.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 76,380,293	$ 75,472,644
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Provision for doubtful accounts	1,283,511	549,927
Depreciation	32,931,489	36,862,441
Amortization of intangible and other assets	5,467,374	4,268,101
Loss on disposal of property, plant and equipment, net	18,600	250,940
Loss on impairment	2,036,878	3,810,024
Loss on valuation of financial assets and liabilities, net	24,266	112,185
Provision for inventory obsolescence and market price decline	1,398,857	1,636,893
Investment income accounted for under the equity method	(2,841,913)	(3,253,572)
Cash dividends from long-term investments accounted for under the equity method	922,585	708,082
Gain on disposal of investments	(761,501)	(547,963)
Amortization of discount on convertible bonds payable	341,642	149,306
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	(145,952)	-
Notes receivable	(9,791,677)	3,147,329
Accounts receivable	(26,928,881)	(118,194,039)
Accounts receivable - related parties	(4,819,608)	201,346
Inventories	(15,653,364)	(90,363,483)
Other receivables	(6,224,179)	(6,800,321)
Prepayments	(1,258,155)	(1,889,332)
Accounts payable	29,276,102	137,019,077
Accounts payable - related parties	5,149,545	4,728,721
Accrued expenses	7,047,026	9,634,395
Accrued warranty liabilities	3,122,254	5,909,563
Income tax payable	627,796	1,388,146
Other payables and other current liabilities	4,288,274	(1,158,406)
Receipts in advance	1,411,793	2,076,113
Deferred income tax	(3,389,896)	(3,274,357)
Accrued pension liabilities	51,738	11,769
Net cash provided by operating activities	99,964,897	62,455,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(26,975,006)	(72,715,922)
Increase in other financial assets - non-current	(3,431,587)	(57,869,962)
Acquisition of subsidiary and assets, net of cash acquired	-	(2,896,936)
Increase in other assets	(5,539,327)	(5,730,578)
Acquisition of land use right	(1,693,617)	(966,559)
Increase in long-term equity investments	(1,781,598)	(1,646,138)
Acquisition of financial assets carried at cost	(404,115)	(1,885,123)
Proceeds from disposal of property, plant and equipment	2,940,104	3,756,634
Financial assets / liability at fair value through profit or loss	(192,013)	198,826
Proceeds from disposal of funds and investments	1,463,123	602,224
Acquisition of available-for-sale financial assets	-	(58,162)
Net cash used in investing activities	(35,614,036)	(139,211,696)

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HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	$ 22,946,135	$ 131,190,076
Increase in notes and bills payable	-	9,591,288
Increase in long-term loans, net	-	15,957,200
Increase in bonds payable	6,820,000	37,349,059
Redemption of bonds payable	(5,960,600)	(6,000,000)
Increase in other liabilities-other	529,544	2,007,221
Payment of cash dividends	(8,156,086)	(17,157,864)
Payment of employees' bonus accumulated before 2008	(739,070)	(932,136)
Increase (decrease) in minority interest	1,006,361	(320,369)
Net cash provided by financing activities	16,446,284	171,684,475
Net effect of changes in foreign currency exchange rates	(2,396,373)	(18,230,125)
Net increase in cash and cash equivalents	78,400,772	76,698,183
Cash and cash equivalents at beginning of year	99,142,368	177,543,140
Cash and cash equivalents at end of year	$ 177,543,140	$ 254,241,323
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 2,403,281	$ 2,568,062
Cash paid during the year for income tax	$ 14,379,641	$ 15,846,447
Cash paid for the acquisition of property, plant and equipment		
Increase in property, plant and equipment	$ 23,056,407	$ 80,925,575
Add: Payable – beginning balance	8,068,285	4,058,968
Less: Payable – ending balance	(4,058,968)	(11,197,683)
Effect of changes in foreign currency exchange rates	(90,718)	(1,070,938)
Cash paid	$ 26,975,006	$ 72,715,922
Investing activities with no cash flow effect:		
Unrealized gain (loss) on financial instruments		
Adjustment for change in value of available-for-sale financial assets	$ 10,131,530	($ 3,172,934)
Valuation of long-term investments accounted for under the equity method	2,044,334	(464,853)
	$ 12,175,864	($ 3,637,787)
Cumulative translation adjustments	($ 5,901,759)	($ 23,852,401)
Fair value information of acquired subsidiary		
Current assets	$ -	$ 28,005,606
Property, plant and equipment	-	9,627,690
Other assets	-	592,537
Current liabilities	-	(32,157,918)
Other liabilities	-	(853,577)
Total purchase price	-	5,214,338
Less: Minority interest	-	(179,484)
Cash of subsidiary	-	(2,137,918)
Net assets of acquired subsidiary (less cash received)	$ -	$ 2,896,936

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated April 8, 2011.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

1) Hon Hai Precision Industry Co., Ltd. (the Company) was established on February 20, 1974. The Company began to be listed on the Taiwan Stock Exchange in June 1991. The Company merged with Premier Image Technology Corporation (Premier Corp.) on December 1, 2006. The Company's issued and outstanding capital was $96,612,482. The main activities of the Company are the manufacture, processing and sales of connectors, cable, enclosures, wired/wireless communication products, optics products, power supply modules, and assemblies for use in the IT, communications, automotive equipment, precision molding, automobile, and consumer electronics industries. As of December 31, 2010, the Company and its subsidiaries had approximately 836,000 employees.

2) Consolidated subsidiaries

A. Main activities of the subsidiaries and ownership of the Company:

Names of subsidiaries	Relationship with the Company	Main operating activities	Ownership Percentage (%) 2009.12.31	Ownership Percentage (%) 2010.12.31	Note
Foxconn (Far East) Ltd. and subsidiaries	Wholly-owned subsidiary	Investment holdings in Mainland China, Europe and North America and Hong Kong electronics manufacturers	100%	100%	3(1)(3)
Foxconn Holding Ltd. and subsidiaries	Wholly-owned subsidiary	Investment holdings in Asia Pacific and North America hi-tech companies	100%	100%	
Hyield Venture Capital Co., Ltd. and subsidiaries	Majority-owned subsidiary	Venture capital investment company and investment holdings in electronics manufacturers	98%	98%	
Bao Shin International Investment Co., Ltd. and subsidiaries	Wholly-owned subsidiary	Domestic investment company and investment holdings in companies engaged in computer system and machinery business	100%	100%	
Hon Yuan International Investment Co., Ltd. and subsidiaries	Wholly-owned subsidiary	Domestic investment company and investment holdings in companies engaged in computer system and machinery business	100%	100%	

Names of subsidiaries	Relationship with the Company	Main operating activities	Ownership Percentage (%) 2009.12.31	Ownership Percentage (%) 2010.12.31	Note
Hon Chi International Investment Co., Ltd. and subsidiaries	Wholly-owned subsidiary	Domestic investment company and investment holdings in companies engaged in IT and machinery business	100%	100%	
Lin Yih International Investment Co., Ltd.	Wholly-owned subsidiary	Investment holdings in R.O.C. companies	100%	100%	
Hon Hai/ Foxconn Logistics California LLC.	Wholly-owned subsidiary	Logistics services	100%	100%	
Hon Hai/ Foxconn Logistics Texas LLC.	Wholly-owned subsidiary	Logistics services	100%	100%	
Ambit International Ltd. and subsidiaries	Wholly-owned subsidiary	Investment holdings in Mainland China IT, electronic companies	100%	100%	
Foxconn Singapore (Pte) Ltd. and subsidiaries	Wholly-owned subsidiary	Asia pacific sales and investment holdings of Slovakia domestic sales company	100%	100%	
Foxconn International Inc.	Wholly-owned subsidiary	Research and development	100%	100%	
Altus Technology Inc.	Wholly-owned subsidiary	Manufacture and design of cellular phone and camera lens and marketing of sensors	100%	100%	
Premier Image Technology -Hong Kong Limited and subsidiaries	Majority-owned subsidiary	Manufacture and sales of camera	99.96%	99.96%	

Names of subsidiaries	Relationship with the Company	Main operating activities	Ownership Percentage (%) 2009.12.31	2010.12.31	Note
Foxconn SA B.V. and subsidiaries	Majority-owned subsidiary	Investment holdings	95%	95%	
Image & Vision Investment Corporation	Wholly-owned subsidiary	Investment holdings	100%	100%	3(5)
Margini Holdings Limited and subsidiaries	Wholly-owned subsidiary	Investment holdings of Vietnam and Brazil process and both domestic and export sales companies	100%	100%	
Foxconn Holdings Limited and subsidiaries	Wholly-owned subsidiary	Investment holdings of Czech domestic sales companies	100%	100%	3(4)
Syntrend Creative Park Co., Ltd.	Majority-owned subsidiary	Manufacturing and marketing of computer components	-	80%	3(2)

A. The financial statements of consolidated subsidiaries as of and for the years ended December 31, 2009 and 2010 were audited by independent accountants.

B. For the relevant information on indirectly owned subsidiaries of the Company, please refer to Note 11.

C. Changes in the consolidated subsidiaries

(1) In January, 2010, a subsidiary of the Company acquired 90% of Sony Corporation Baja California, S.A. BE C.V, which was consolidated effective the acquisition date.

(2) In May, 2010, the Company established and held 80% ownership in Syntrend Creative Park Co., Ltd., which was consolidated, effective the acquisition date.

(3) In July, 2010, a subsidiary of the Company acquired 90.1% of Sony Corporation Slovakia, SPOL. S R.O. which was consolidated effective the acquisition date.

(4) In the fourth quarter of 2010, the Company acquired 100% of Foxconn Holding B.V.-Netherland in its subsidiary due to reorganization. The reorganization in substance had no accounting effect and therefore did not generate profit or loss.

(5) Image & Vision Investment Corporation was liquidated in July 2010 and the income and expenses before the date it closed its business was included in the consolidated statement of income.

3) Majority-owned subsidiaries that were not included in the consolidated financial statements: None.

4) Adjustments for subsidiaries with different balance sheet dates: None.

5) Special operating risks of the foreign subsidiaries: No significant special operating risks that would affect the financial statements.

6) Significant restriction on remittance of funds from the foreign subsidiaries to the Company: None.

7) The Company’s common stock owned by its subsidiary:

As of December 31, 2009 and 2010, Hon Jin International Investment Co., Ltd. owned 961,344 and 1,076,705 shares, respectively, of the Company’s common stock at a cost of $18,901.

8) Information on new issuance of convertible bonds and common stock by subsidiaries: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and accounting principles generally accepted in the Republic of China. The Group’s significant accounting policies are summarized below:

1) Basis for preparation of consolidated financial statements

A. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidated financial statements on a quarterly basis.

B. The income (loss) of the subsidiaries is included in (excluded from) the consolidated statement of income effective on the date the Company gains (losses) control over the subsidiaries.

C. Significant intercompany transactions and assets and liabilities arising from intercompany transactions are eliminated.

2) Translation of financial statements of foreign subsidiaries into New Taiwan Dollars

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which is carried forward from prior year’s balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in “cumulative translation adjustments” under stockholders’ equity.

3) Criteria for classifying assets and liabilities as current or non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

1) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
2) Assets held mainly for trading purposes;
3) Assets that are expected to be realized within twelve months from the balance sheet date; and
4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

1) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
2) Liabilities arising mainly from trading activities;
3) Liabilities that are to be paid off within twelve months from the balance sheet date; and

4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

4) Use of estimates

The preparation of financial statements in conformity with R.O.C. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the amounts of revenues and expenses reported during the period. Actual results could differ from those assumptions and estimates.

5) Foreign currency transactions

A. The Company and its consolidated subsidiaries maintain their accounts in New Taiwan dollars and functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and their functional currencies at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the actual receipt and payment are recognized in current year's profit or loss.

B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss. However, exchange gains or losses on overseas inter-company accounts that are, in nature, deemed long term is accounted for as a reduction in stockholders' equity.

C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

6) Cash equivalents

Cash equivalents represent short-term, highly liquid investments which can be readily converted into fixed amount of cash and with a maturity period of less than three months. The statements of cash flows is compiled under the cash and cash equivalents basis.

7) Financial assets and financial liabilities at fair value through profit or loss

A. Equity investments are recognized using trade date accounting. Debt instruments, beneficiary certificates and derivative financial instruments are recognized and derecognized using settlement date accounting. All are recognized initially at fair value.

B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks, closed-end mutual funds and deposit receipts is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

C. For derivatives that do not qualify for hedge accounting, if the derivative is an option, then the transaction is recognized at fair value on the trade date, and if the derivatives is not an option, then the transaction is recognized at zero fair value on the trade date.

D. The derivative features (such as call options and put options) embedded in bonds payable issued by the Company are described in Note 2 (21).

8) Available-for-sale financial assets

A. Equity investments are recognized using trade date accounting. Bond investments are recognized and derecognized using settlement date accounting and are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. Available-for-sale financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks, closed-end mutual funds and deposit receipts is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

9) Financial assets carried at cost

A. Investment in unquoted equity instruments is recognized using trade date accounting and is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.

10) Settlement date accounting

If an entity recognizes financial assets using settlement date accounting, any change in the fair value of the asset to be received during the period between the trade date and the settlement date / balance sheet date is not recognized for assets carried at cost or amortized cost. For financial asset or financial liability classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

11) Accounts receivable

Accounts receivable are claims resulting from the sale of goods or services. The fair value of accounts receivable is calculated based on the imputed interest rate. Accounts receivable which are collectible within one year, and where the difference between the fair value and the value at maturity is insignificant are measured at carrying value.

12) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience and the evaluation of the collectibility of accounts, notes and other receivables, taking into account the aging analysis of receivables.

13) Inventories

Effective January 1, 2009, the Group adopted the amendments to R.O.C. SFAS No. 10, “Accounting for Inventories”. The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses. As the value of raw materials declines and the cost of finished goods is over the net realizable value, the net realizable value of raw materials is determined based on current replacement cost.

14) Long-term equity investments accounted for under the equity method

A. Long-term equity investments in which the Group holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized from 2006. Retrospective adjustment of the amount of goodwill amortized in previous years is not required. Goodwill is subject to tests of impairment on an annual basis. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to extraordinary gains.

B. Long-term investment in which the Group holds more than 50% of the investee company's voting shares or has the ability to control the investee's operational decisions are accounted for under the equity method and included in the consolidated financial statements on a quarterly basis.

C. For foreign investments accounted for under the equity method, the Group's proportionate share of the investee company's cumulative translation adjustment, resulting from translating the foreign investee company's financial statements into New Taiwan Dollars, is recognized by the Group and included as "cumulative translation adjustments" under stockholders' equity.

15) Property, plant and equipment

A. Property, plant and equipment are stated at cost. Interest costs incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized. Significant servicing or betterments capable of generating future economic benefits are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

B. Depreciation is provided on the straight-line method using the service life guidelines prescribed by the R.O.C. Government, which approximate the useful lives of the assets plus one year as residual value. Fully depreciated assets still in use are depreciated based on the residual values over the remaining useful lives. The useful lives of property, plant and equipment are 2 to 8 years, except for buildings which are 45 to 55 years.

16) Goodwill and other intangible assets

A. The excess of the initial acquisition cost over the fair value of the acquired identifiable tangible and intangible assets is attributable to goodwill.

B. Other intangible assets, mainly customer relationship, are stated at cost and amortized on a straight-line basis over 3 years.

17) Deferred charges and other assets

A. The costs of telephone network installation charges, computer software, molding and tools equipment are recorded as deferred charges and amortized over their estimated economic lives on a straight-line basis.

B. Land use rights are stated at cost and amortized over the lease period using the straight-line method.

18) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. The recoverable amount of goodwill shall be evaluated periodically. Impairment loss will be recognized whenever there is indication that the recoverable amount of these assets is less than their respective carrying amount. Impairment loss of goodwill recognized in prior years is not recoverable in the following years.

19) Warranty obligation

Warranty obligation is recognized based on the estimated warranty cost per unit and the number of units sold during the period.

20) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

21) Bonds payable

For bonds issued with embedded conversion, put, or call option feature after January 1, 2006, the issuer shall bifurcate the issuance price based on the substance of the contractual arrangement on initial recognition, and recognized the elements separately as a financial asset, financial liability, or an equity instrument.

These bonds are accounted for as follows:

A. The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as "interest expense".

B. The value of any derivative features (such as a call option and put option) embedded in the compound financial instrument is recognized as "financial assets or financial liabilities at fair value through profit or loss". These derivative features are subsequently remeasured and stated at fair value on each balance sheet date, and the gain or loss is recognized in "gain or loss on valuation of financial assets or financial liabilities". At the maturity of the redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the put option is recognized as "capital reserve"; however, if the fair value of common stock is lower than the redemption price, the fair value of the put option is recognized as "gain or loss".

C. A conversion right embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized in "capital reserve from stock conversion option". When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be revalued at fair value on the conversion date, and the resulting difference shall be recognized as "gain or loss" in the current period. The book value of the common stock issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of the stock conversion option.

D. Costs incurred on issuance of convertible bonds are proportionately charged to the liabilities and equities of the underlying instruments based on initial recognition amount.

E. In the event that the bondholders may exercise put options within the following year, the underlying bonds payable shall be reclassified to current liabilities. The bonds payable whose put options are unexercised during the exercisable period shall be reclassified to non-current liabilities.

22) <u>Income tax</u>

A. Income tax expense is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax for the expected future tax consequences of events that have been included in different periods for financial or tax reporting purposes. Deferred income tax assets and liabilities are determined using enacted tax rates in effect for the year(s) in which the differences are expected to reverse. Valuation allowance on deferred income tax assets is recognized to the extent that it is more likely than not that the income tax benefits will not be realized. Over or under provision of income tax from the previous years is recorded as adjustment to the current year's income tax expense. In accordance with the ROC Income Tax Law, the company's undistributed income is subject to an additional 10% corporate income tax. The tax is charged to income tax expense after the appropriation of earnings is approved by the stockholders in the following year.

B. Income tax credits are provided for in accordance with R.O.C. SFAS No. 12, "Accounting for Income Tax Credits". Income tax credits arising from acquisitions of equipment or technology, expenditures for research and development, training and development of employees and investments in qualified stocks are charged to deferred income tax assets and credited to income tax expense in the period the related expenditures are incurred.

C. Effective January 1, 2006, the Company adopted the Income Basic Tax Act (the "Act"). Under the Act, the income tax payable shall be the higher of the basic tax and the regular income tax in accordance with the Income Tax Law and other relevant laws.

D. As a result of the amendment of the Income Tax Law, the Company recalculated its deferred tax assets and liabilities and recorded the resulting difference in the current year's income tax benefit or expense.

23) <u>Government grants</u>

In accordance with R.O.C. SFAS No. 29, "Government Grants", government grants related to assets are recognized as deferred income; for depreciable assets, it is recognized as income over the useful life period of the asset in proportion to which depreciation expense on those assets is recognized, and for non-depreciable assets that require the fulfillment of certain obligations, it would then be recognized as income over the periods that bear the cost of meeting the obligations. If the government grant relates to receiving financial consideration, it is recognized as income when earned, or as deferred income (shown as "other liabilities") and recognized in periods over which the grant will be earned.

24) <u>Treasury stock</u>

A. When shares are bought back by the Company, the treasury stock is accounted for as a deduction of the equity.

B. Any excess of the proceeds over the cost of the treasury stock reissued is recognized as an increase in additional paid-in capital from the treasury stock transaction and if the proceeds are less than the cost, the deficit is charged to the additional paid-in capital account. Should the paid-in capital in excess of par value of common stock balance be insufficient to absorb the deficit, the balance is charged to retained earnings.

C. Treasury stock cost is determined using the weighted-average cost method.

D. The Company's common stock owned by its subsidiaries is treated as treasury stock.

25) Share-based payment - employee compensation plan

Based on the employee stock options and the share-based payment agreements, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

26) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends.

27) Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated by taking into account the potentially dilutive securities which are assumed to have been converted to common stock at the beginning of the period.

28) Revenues and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Related costs are recognized to match the timing of revenue recognition. Expenses, including research and development costs, are recognized as incurred.

3. CHANGE IN ACCOUNTING PRINCIPLE

Inventories

Effective January 1, 2009, the Group adopted the amendments to R.O.C. SFAS No. 10, "Accounting for Inventories". As a result of this change in accounting principle, the Group's loss on market price decline increased by $1,099,600, consolidated net income decreased by $951,712 and earnings per share decreased by $0.11 for the year ended December 31, 2009. Furthermore, as a result of the reclassification of loss on market price decline, operating cost increased by $1,760,214 and non-operating loss associated with inventories decreased by $1,760,214 for the year ended December 31, 2009.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	December 31,			
	2009		2010	
Cash on hand	$	7,671,189	$	5,932,646
Checking accounts		288,177		1,286,796
Savings deposits		39,363,877		63,477,506
Time deposits		125,172,015		180,056,093
		172,495,258		250,753,041
Cash equivalents		5,047,882		3,488,282
	$	177,543,140	$	254,241,323

Cash equivalents include the Sweep Fund and short-term commercial paper and bonds purchased with resale agreements with maturity of less than three months.

(2)Financial assets and liabilities at fair value through profit or loss

	December 31, 2009			
	Book value		Contract amount (Nominal principal) (in thousands)	
Financial assets held for trading				
Gold futures contracts	$	273,773		-
Open-end funds		15,000		-
Forward exchange contracts-open		32,212	EUR(BUY)	289
			HUF(BUY)	1,098,800
			JPY(BUY)	200,000
			MXN(BUY)	66,229
			RMB(BUY)	2,019,814
			USD(BUY)	17,998
			EUR(SELL)	15,500
			INR(SELL)	19,335
			USD(SELL)	289,170
			JPY(SELL)	1,331,700
	$	320,985		

	December 31, 2009		
	Book value	Contract amount (Nominal principal) (in thousands)	
Financial liabilities held for trading			
Forward exchange contracts-open	($ 56,478)	EUR(BUY)	3,799
		HUF(BUY)	1,080,430
		JPY(BUY)	3,630,106
		MXN(BUY)	351,386
		USD(BUY)	23,925
		BRL(SELL)	1,424
		EUR(SELL)	8,500
		INR(SELL)	160,809
		USD(SELL)	71,619
		RMB(SELL)	102,765
Forward exchange contracts-offset	(1,278)	RMB(BUY)	67,340
		USD(BUY)	9,960
		RMB(SELL)	67,340
		USD(SELL)	10,000
	($ 57,756)		

	December 31, 2010		
	Book value	Contract amount (Nominal principal) (in thousands)	
Financial assets held for trading			
Open-end funds	$ 15,000		-
Forward exchange contracts-open	70,049	BRL(BUY)	34,020
		EUR(BUY)	11,400
		HUF(BUY)	558,550
		JPY(BUY)	553,756
		MXN(BUY)	505,516
		USD(BUY)	70,581
		BRL(SELL)	3,344
		EUR(SELL)	15,300
		HUF(SELL)	552,000
		INR(SELL)	42,376
		JPY(SELL)	1,250,000
		MXN(SELL)	18,494
		RMB(SELL)	307,599
		USD(SELL)	66,496
	$ 85,049		

	December 31, 2009		
	Book value	Contract amount (Nominal principal) (in thousands)	
Financial liabilities held for trading			
Forward exchange contracts-open	($ 182,234)	EUR(BUY)	13,821
		JPY(BUY)	15,465
		USD(BUY)	1,462,758
		EUR(SELL)	10,300
		HUF(SELL)	998,515
		INR(SELL)	456,479
		JPY(SELL)	2,107,500
		MXN(SELL)	112,834
		RMB(SELL)	399,520
		BRL(SELL)	210,161
	($ 182,234)		

1) For the year ended December 31, 2009, the Group recognized a net loss of $270,817 including unrealized loss of $24,266.
2) For the year ended December 31, 2010, the Group recognized a net loss of $707,794, including unrealized loss of $112,185.

(3)Available-for-sale financial assets

	December 31,	
	2009	2010
Current items:		
Listed stocks	$ 70,405	$ 57,782
Adjustment of available-for-sale financial assets	1,208,434	911,818
	$ 1,278,839	$ 969,600
Non-current items:		
Listed stocks	$ 4,668,741	$ 4,331,290
Adjustment of available-for-sale financial assets	12,387,830	9,404,683
	$ 17,056,571	$ 13,735,973

The fair value of available-for-sale financial assets increased by $12,175,864 and decreased by $3,637,787 for the years ended December 31, 2009 and 2010, respectively, and is shown as an adjustment to stockholders' equity as unrealized gain or loss on financial instruments. The transfers from this equity account to profit and loss amounted to $762,525 and $506,914 (shown as "gain on disposal of investment") for the years ended December 31, 2009 and 2010, respectively.

(4)Notes and accounts receivable

	December 31, 2009		
	Amount	Allowance for doubtful accounts	Net amount
Notes receivable	$ 10,767,005	($ 478)	$ 10,766,527
Accounts receivable	281,715,244	(3,833,879)	277,881,365
	$ 292,482,249	($ 3,834,357)	$ 288,647,892

	December 31, 2010		
	Amount	Allowance for doubtful accounts	Net amount
Notes receivable	$ 7,160,993	($ 606)	$ 7,160,387
Accounts receivable	388,286,117	(4,306,591)	383,979,526
	$ 395,447,110	($ 4,307,197)	$ 391,139,913

1. The Group factored its accounts receivable to certain financial institutions without recourse. Under the agreement, the Group is not required to bear uncollectible risk of the underlying accounts receivable, but is liable for the losses incurred on any business dispute, and did not provide any collateral. Accordingly, these accounts receivable meet the derecognition criteria for financial assets. The Group has derecognized the accounts receivable sold to financial institutions, net of the amount estimated for business disputes.

   As of December 31, 2009 and 2010, the relevant information of accounts receivable factored but unsettled were as follows:

December 31, 2009					
Institutions	Interest rate (%)	Accounts receivable sold/ derecognized	Amount advanced	Amount retained	Limit
Mega International Commercial Bank	0.41	$ 10,905,969	$10,905,969	$ -	$ 15,995,000

December 31, 2010					
Institutions	Interest rate (%)	Accounts receivable sold/ derecognized	Amount advanced	Amount retained	Limit
Mega International Commercial Bank	0.88~0.89	$19,808,400	$19,808,400	$ -	$ 21,847,500
Taipei Fubon Bank	0.9	20,391,000	20,391,000	-	40,782,000
Mizuho Corporate Bank	0.85~0.86	13,108,500	13,108,500	-	17,478,000
Sumitomo Mitsui Banking Corporation	0.79	14,565,000	14,565,000	-	14,565,000
Standard Chartered Commercial Bank	0.73	1,893,450	1,893,450	-	3,495,600
		$ 69,766,350	$69,766,350	$ -	$ 98,168,100

2. For the year ended December 31, 2009 and 2010, the financing charges (expenses) incurred from accounts receivable factoring were $15,197 and $365,224 (shown as “financing charges”), respectively.

(5)Other receivables

	December 31, 2009	December 31, 2010
Tax refund receivable	$ 19,096,166	$ 26,626,208
Receivable from payments made on behalf of others	763,638	1,501,924
Others	4,217,423	2,765,153
	$ 24,077,227	$ 30,893,285

(6)Inventories

	December 31, 2009	December 31, 2010
Raw materials and supplies	$ 65,271,291	$ 92,027,102
Work in process	31,157,396	49,588,851
Finished goods	75,108,584	99,230,748
Inventory in transit	19,259,442	29,399,802
	190,796,713	270,246,503
Less: Allowance for inventory obsolescence and market price decline	(9,817,012)	(10,862,788)
	$ 180,979,701	$ 259,383,715

Expenses and loss incurred on inventories for the years ended December 31, 2009 and 2010 were as follows:

	2009	2010
Cost of inventories sold	$ 1,770,868,723	$ 2,751,324,984
Loss on inventory obsolescence and market price decline	1,398,857	1,636,893
Others	361,357	41,252
	$ 1,772,628,937	$ 2,753,003,129

(7)Financial assets carried at cost

Name of investee company	December 31, 2009	December 31, 2010
Chi Lin Technology Co., Ltd.	$ -	$ 825,000
Diamondhead Ventures Ltd.	316,036	316,911
Global Strategic Investment Inc.	200,400	200,400
Riverwood Capital Partners L.P.	-	186,291
POWER-ALL NETWORKS	-	174,780
Aptina Acquisition L.P.	-	153,918
FUHU INC.	-	145,650
Wimm. Labs Incorporated	-	145,650
Shenzhen Yuto Printing Co., Ltd.	238,492	108,829
Others	745,644	781,857
	$ 1,500,572	$ 3,039,286

1) The Group recognized impairment loss in the amounts of $0 and $164,067 (shown as "impairment loss") for the years ended December 31, 2009 and 2010, respectively, on its investments accounted for under the cost method.
2) These investments have no active quoted market price and their fair values cannot be measured reliably. Therefore, they were measured at cost.

(8)Long-term equity investments accounted for under the equity method

Investee Company	December 31, 2010 Ownership Percentage (%)	December 31, 2009	December 31, 2010
Foxconn Technology Co., Ltd.	30	$ 14,933,607	$ 16,299,001
Foxconn Advanced Technology, Ltd.- Cayman	43	5,253,010	5,273,340
Pan International Industrial Corporation	27	3,828,747	3,694,183
Simplo Technology Co., Ltd.	9	1,720,814	1,886,280
G-Tech Optoelectronics Corporation	36	704,533	1,210,547
Multiwin Precision Ind. Co. Ltd.	29	1,112,984	1,143,575
Ways Technical Corp., Ltd.	23	1,148,154	1,123,290
Ampower Holding Limited - Cayman	45	1,104,270	1,009,073
Mediamarkt (China) International Retail Holding Limited-HK	25	-	910,548
Uer Holdings Corporation-Cayman	40	-	672,277
CyberTAN Technology, Inc.	11	548,663	532,592
Alliance Fiber Optic Products Inc.	20	314,333	321,393
Diabell Co., Ltd.	20	330,908	240,407
Others		1,668,338	1,615,432
		32,688,361	35,931,938
Add: Prepaid long-term investment		427,130	30,556
		$ 33,115,491	$ 35,962,494

1) The Group recognized impairment loss amounting to $64,490 and $143,967 (shown as "impairment loss") for the years ended December 31, 2009 and 2010 on its investments accounted for under the equity method.
2) For the years ended December 31, 2009 and 2010, the investment income recognized under the equity method amounted to $2,841,913 and $3,253,572, respectively, which was based on the investees' audited financial statements.
3) For the years ended December 31, 2009 and 2010, cash dividends declared by the investee companies accounted for under the equity method amounted to $922,585 and $708,082 respectively, and were shown as a reduction to the book value of long-term investments accounted for under the equity method.

(9)Property, plant and equipment

	December 31, 2009		
	Original cost	Accumulated depreciation	Net book value
Land	$ 3,863,939	$ -	$ 3,863,939
Buildings and improvements	110,709,699	(17,746,399)	92,963,300
Machinery	154,766,994	(62,532,445)	92,234,549
Molding equipment	2,897,287	(2,405,043)	492,244
Testing equipment	20,776,078	(11,853,458)	8,922,620
Furniture and fixtures	13,000,893	(7,953,720)	5,047,173
Tooling equipment	3,194,607	(1,574,426)	1,620,181
Miscellaneous equipment	29,925,748	(12,764,165)	17,161,583
Prepayments for equipment and construction in progress	15,609,092	-	15,609,092
	$ 354,744,337	($ 116,829,656)	237,914,681
Less: Accumulated impairment			(3,296,540)
			$ 234,618,141

	December 31, 2010		
	Original cost	Accumulated depreciation	Net book value
Land	$ 4,085,467	$ -	$ 4,085,467
Buildings and improvements	120,125,861	(23,146,020)	96,979,841
Machinery	190,502,643	(74,073,447)	116,429,196
Molding equipment	4,473,691	(2,825,733)	1,647,958
Testing equipment	22,981,119	(14,342,521)	8,638,598
Furniture and fixtures	13,982,903	(8,997,090)	4,985,813
Tooling equipment	3,329,030	(1,542,820)	1,786,210
Miscellaneous equipment	31,796,808	(15,622,119)	16,174,689
Prepayments for equipment and construction in progress	26,642,156	-	26,642,156
	$ 417,919,678	($ 140,549,750)	277,369,928
Less: Accumulated impairment			(5,220,239)
			$ 272,149,689

The Group recognized impairment loss of $1,026,453 and $2,557,816 (shown as “impairment loss”) in 2009 and 2010, respectively.

(10)Intangible assets

1)Business acquisition

A. On January 1, 2010, the Company acquired from Sony Corporation a portion of its Mexico plant’s production equipment and 90% ownership of its subsidiary, Sony BAJA California, S.A. BE C.V., for a cost of US$119,900 thousand.

B. In July, 2010, the Company’s subsidiary, Foxconn Singapore Pte. Limited, acquired 90.1% ownership of its subsidiary, Sony Slovakia, SPOL. S R.O, for a cost of EUR$29,721 thousand.

C. Fair value information of acquired subsidiary:

	For the year ended December 31, 2010
Current assets	$ 28,005,606
Property, plant and equipment	9,627,690
Other assets	592,537
Current liabilities	(32,157,918)
Other liabilities	(853,577)
Total purchase price	5,214,338
Less: Minority interest	(179,484)
Cash of subsidiary	(2,137,918)
Net assets of acquired subsidiary (less cash received)	$ 2,896,936

2) Goodwill

	For the years ended December 31, 2009	2010
Net book value, January 1	$ 2,291,662	$ 1,317,381
Impairment loss	(945,935)	(944,174)
Cumulative translation adjustments	(28,346)	(157,733)
Net book value, December 31	$ 1,317,381	$ 215,474

A. The above amount mainly represents goodwill arising from the company's subsidiary's acquisition of Chi Mei Communication System, Inc. in 2005.

B. The Company's subsidiary recognized impairment loss on its goodwill amounting to $945,935 and $944,174 (shown as "impairment loss") in 2009 and 2010, respectively.

3) Other intangible assets – customer relationship

In February 2008, the Company's subsidiary, Foxteq Holding Inc. – Cayman, signed an assets purchase agreement with Sanmina-SCI Corporation, Sanmina- SCI USA Inc., SCI Technology, Inc., Sanmina- SCI Systems De Mexico S.A. De C.V., Sanmina- SCI Hungary Electronics Manufacturing LLC. and Sanmina- SCI Australia Pty Ltd. for the acquisition of certain assets and liabilities of these companies. The acquisition cost was US$70 million. The acquisition was effective on July 7, 2008.

The intangible assets – customer relationship arising from the above acquisition amounted to $965,100, which were appraised by the Company and experts. The changes in the intangible assets – customer relationship for the years ended of December 31, 2009 and 2010, respectively, are set forth below:

	For the years ended December 31, 2009	2010
Net book value, January 1	$ 818,688	$ 476,011
Amortization in current year	(333,043)	(317,721)
Cumulative translation adjustments	(9,634)	(18,466)
Net book value, December 31	$ 476,011	$ 139,824

(11)Other assets

	December 31, 2009	December 31, 2010
Land use rights	$ 21,088,073	$ 20,268,938
Others	4,498,048	5,371,548
	$ 25,586,121	$ 25,640,486

For the years ended December 31, 2009 and 2010, the land use rights were as follows:

	For the years ended December 31, 2009	For the years ended December 31, 2010
Net book value, January 1	$ 19,091,762	$ 21,088,073
Increase in current year	1,693,617	966,559
Amortization in current year	(373,745)	(458,676)
Transfer in current year	898,523	(467,725)
Cumulative translation adjustments	(222,084)	(859,293)
Net book value, December 31	$ 21,088,073	$ 20,268,938

(12)Short-term loans

	December 31, 2009	December 31, 2010
Credit loans	$ 77,481,054	$ 132,466,070
Secured loans	2,763,657	67,390,944
	$ 80,244,711	$ 199,857,014
Interest rates per annum	0.24%~6.83%	0.013%~2.4544%

(13)Short-term notes and bills

	December 31, 2009	December 31, 2010
Commercial paper	$ -	$ 9,600,000
Less: unamortized discounts	-	(8,712)
	$ -	$ 9,591,288
Interest rates per annum	-	0.71%~0.788%

(14)Accrued expenses

	December 31, 2009	December 31, 2010
Awards and salaries payable	$ 12,200,960	$ 17,615,943
Royalty fees payable	4,841,955	10,635,704
Employees' bonuses payable	5,449,328	5,555,128
Business Tax (VAT) payable	3,936,387	3,222,349
Welfare fees payable	2,889,798	3,103,545
Shipping fees payable	2,197,294	1,925,048
Tax payable (excluding VAT)	1,860,472	1,491,494
Fees payable for tooling	1,068,254	996,313
Others	15,952,099	14,553,282
	$ 50,396,547	$ 59,098,806

Please see Note 4(22) for information on "Employees' bonuses".

(15)Income tax

1)Income tax expense and income tax payable are reconciled as follows:

	December 31, 2009	December 31, 2010
Income tax expense	$ 11,650,671	$ 16,004,564
Changes in deferred income tax	3,389,896	3,274,357
Less: Prepaid income tax and income tax withheld	(4,690,478)	(7,119,490)
Effect of tax rate different from the U.S. branch	(33,130)	(62,925)
Over provision of prior years' income tax	1,301,840	1,044,992
Add: Income tax payable for prior years	1,619,059	1,484,506
Income tax payable	$ 13,237,858	$ 14,626,004

2) As of December 31, 2009 and 2010, the deferred income tax assets and liabilities were as follows:

	December 31, 2009	December 31, 2010
Deferred income tax assets	$ 3,991,967	$ 5,080,847
Deferred income tax liabilities	($ 6,086,080)	($ 3,900,603)

3) The temporary differences and related amounts of deferred tax assets (liabilities) are listed as follows:

	December 31, 2009		December 31, 2010	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Reserve for inventory obsolescence and market price decline	$ 6,087,932	$ 1,432,758	$ 6,395,663	$ 1,164,258
Unrealized exchange (gains) losses	(125,589)	(25,118)	1,171,020	155,847
Product warranty	6,804,868	1,360,973	12,455,882	2,117,500
Allowance for doubtful accounts	1,784,915	356,983	2,128,053	475,083
Others	612,287	122,162	677,416	121,555
	$15,884,413	$ 3,247,758	$22,828,034	$ 4,034,243
Non-current items:				
Reserve for pension cost	$ 847,179	$ 169,436	$ 861,370	$ 146,739
Foreign investment income accounted for under the equity method	(30,304,813)	(6,060,962)	(22,944,738)	(3,900,605)
Others	2,277,737	549,655	5,776,891	899,867
	($27,179,897)	(5,341,871)	($16,306,477)	(2,853,999)
		($ 2,094,113)		($ 1,180,244)

4) As of December 31, 2010, the Company’s and Premier’s income tax returns have been approved by the R.O.C. Tax Authority through 2008 and 2006, respectively.

(16) Bonds payable

	December 31,	
	2009	2010
2006 1st domestic convertible bonds payable	$ 12,039,400	$ 12,039,400
2010 1st unsecured euro convertible bonds payable	-	31,251,000
Less: Discount on bonds payable	-	(1,946,755)
Exchange loss	-	(1,988,874)
	12,039,400	39,354,771
First unsecured corporate bonds issue in 2005	11,500,000	5,500,000
First debenture issue of 2008	5,180,000	5,180,000
First debenture issue of 2009	6,820,000	6,820,000
First debenture issue of 2010	-	6,000,000
	35,539,400	62,854,771
Less: Current portion	(6,000,000)	(17,219,400)
Bonds payable – long-term	$ 29,539,400	$ 45,635,371

1) 2006 1st domestic convertible bonds payable

A. On September 1, 2006, following the approval from the SFB, the Company issued domestic zero coupon unsecured bonds in the amount of $18,000,000. These convertible bonds cover a period of five years from November 10, 2006 to November 10, 2011.

B. The conversion price shall be adjusted based on the terms of the convertible bonds. As of December 31, 2010, the convertible bonds have not been converted. The conversion price was adjusted to $161.62 (in dollars) per share as a result of the resolution approved at the stockholders' meeting in 2010.

C. Under the terms of the convertible bonds, all the stock dividends redeemed or converted bonds will be retired and not to be re-issued.

D. The bondholders may require the Company to redeem any bond at face value three years after the issuance. On November 10, 2009, bondholders have redeemed total of $5,960,600.

E. Under the terms of the convertible bonds, the rights and obligations of the new shares converted from convertible bonds are the same as those of the issued and outstanding common stock.

F. The effective interest rate of the bonds was 2.32%.

G. The discount on convertible bonds is amortized during the expected outstanding period of 3 years, using the interest methods. Since November 10, 2009, the bonds have no longer had outstanding discount.

H. The fair value of conversion right in the amount of $1,195,200 was separated from bonds payable at issuance date, and was recognized in "Capital reserve from conversion right" in accordance with SFAS No. 36.

I. 2006 1st domestic convertible bonds payable had been reclassified to "Current liabilities" in the fourth quarter of 2010.

2) 2010 1st unsecured euro convertible bonds

A. On August 18, 2010, following the approval from the SFB, the Company issued 1st unsecured euro zero coupon convertible bonds in the amount of US$1 billon. These convertible bonds cover a period of three years from October 12, 2010 to October 12, 2013.

B. The conversion price shall be adjusted based on the terms of the convertible bonds. As of December 31, 2010, the convertible bonds have not been converted. The initial conversion price was $152.75 (in dollars) per share with a fixed exchange rate applicable on conversion of bonds of NTD$31.251=USD$1.

C. Under the terms of the convertible bonds, all the stock repurchased, previously redeemed or converted bonds will be retired and not to be re-issued.

D. Under the terms of the convertible bonds, the rights and obligations of the new shares converted from convertible bonds are the same as those of the issued and outstanding common stock.

E. The effective interest rate of the bonds was 2.02%.

F. The fair value of conversion right in the amount of $2,034,440 was separated from bonds payable at issuance date, and was recognized in “Capital reserve from conversion right” in accordance with SFAS No. 36.

3) First unsecured corporate bonds issue in 2005

On September 14, 2005, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of $11,500,000. As of December 31, 2010, Bond Aa to Af and Bond Ba to Bf had been redeemed. The amount of the unredeemed bonds is $5,500,000.

The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Normal interest rate	Payment term
Bond Ca to Cf	September 2005	7 years	$ 500,000	2.25%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond Da to De	September 2005	10 years	$ 500,000	2.37%	Principal is due at maturity. Interest is paid annually at simple interest rate.

4) First debenture issue of 2008

A. On December 9, 2008, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of $5,180,000. The terms of these domestic unsecured bonds are summarized as follows:

Issuance date	Period	Amount	Nominal interest rate	Payment term
December 2008	3 years	$ 5,180,000	2.5%	Principal is due at maturity. Interest is paid annually at simple interest rate.

B. First debenture issue of 2008 had been reclassified to “Current liabilities” in the fourth quarter of 2010.

5) First debenture issue of 2009

On January 12, 2009, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of $6,820,000. The terms of these domestic unsecured bonds are summarized as follows.

Issuance date	Period	Amount	Nominal interest rate	Payment term
October 2009	5 years	$ 6,820,000	1.72%	Pay half of principal each in the fourth and fifth year. Interest is paid annually at simple interest rate.

6) First debenture issue of 2010

On December 17, 2010, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of $6,000,000. The terms of these domestic unsecured bonds are summarized as follows.

Issuance date	Period	Amount	Nominal interest rate	Payment term
December 2010	5 years	$ 6,000,000	1.43%	Pay half of principal each in the fourth and fifth year. Interest is paid annually at simple interest rate.

(17) Long-term loans

Institution	Loan period	December 31, 2009	Limit
Mizuho Corporate Bank Ltd., etc. syndicated loan	2008/8/21~2011/8/21	$ 17,114,650	(USD 535,000,000)
〃	2008/9/11~2013/9/11	15,995,000	(USD 500,000,000)
		$ 33,109,650	
Interest rate		0.6438%~0.7%	

Institution	Loan period	December 31, 2010	Limit
Mizuho Corporate Bank Ltd., etc. syndicated loan	2008/8/21~2011/8/21	$ 3,786,900	(USD 130,000,000)
〃	2008/8/21~2013/8/21	11,797,650	(USD 405,000,000)
〃	2008/9/11~2013/9/11	14,565,000	(USD 500,000,000)
ING Bank, N.V. etc. syndicated loan	2010/10/22~2015/10/22	5,643,400	(EUR 145,000,000)
〃	〃	10,313,800	(EUR 265,000,000)
		46,106,750	
Less: Current portion		(3,786,900)	
		$ 42,319,850	
Interest rate		0.6744%~1.5360%	

1) Foxconn (Far East) Ltd. - Cayman, a subsidiary of the Company entered into a syndicated credit facility agreement with Mizuho Corporate Bank Ltd. as the lead bank and obtained a credit line in the amount of US$1,035 million. The Company is the guarantor of the loan.
2) Foxconn Slovakia, SPOL. S R.O., a subsidiary of the Company entered into a syndicated credit facility agreement with ING Bank N.V. etc. as the lead bank and obtained a credit line in the amount of EUR410 million. The Company is the guarantor of the loan.
3) Mizuho Corporate Bank Ltd., etc. syndicated loan, US$130 million, had been reclassified to "Current liabilities" in the fourth quarter of 2010, the rest of the loan over twelve months, was recognized as long-term loan.
4) Throughout the term of Mizuho Corporate Bank Ltd., etc. syndicated term loan agreement, the Group shall maintain the following financial ratios, to be tested semi-annually and annually on an audited consolidated basis:
   A. The current ratio shall not be less than one hundred percent (100%).
   B. The ratio of total net debt to consolidated tangible net assets shall not exceed seventy percent (70%).
   C. The interest coverage (income before income tax plus depreciation, amortization and interest expense divided by net interest expense) shall not be less than five hundred percent (500%).
   D. Net debt is defined as total debt less cash and cash equivalents.
   E. The consolidated net tangible assets are defined as the consolidated total net assets of the Group less goodwill acquired through merger and acquisition.
   F. Net interest expense is defined as interest expense less interest income.

The Company has not breached any of the above financial ratio commitments under the syndicated loan agreement.

(18)Retirement plan

(1) The Company participates in defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees for services provided prior to July 1, 2005, and employees who choose to remain in the benefit pension plan subsequent to the enforcement of the Labor Pension Act on July 1, 2005. The Company contributes on a monthly basis an amount equal to 2.1% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

A. In 2009 and 2010, the related actuarial assumptions used to calculate the pension liability were as follows:

	2009	2010
Discount rate	2.25%	1.75%
Rate of increase in compensation	3.00%	3.00%
Expected return rate on plan assets	2.25%	1.75%

B. Funded status of the pension plan

	December 31, 2009	December 31, 2010
Benefit obligation:		
Vested benefit obligation	($ 139,973)	($ 201,609)
Non-vested benefit obligation	(866,484)	(960,994)
Accumulated benefit obligation	(1,006,457)	(1,162,603)
Additional benefits based on future salary increases	(463,182)	(501,714)
Projected benefit obligation	(1,469,639)	(1,664,317)
Fair value of plan assets	560,119	601,691
Funded status	(909,520)	(1,062,626)
Unrealized net transition obligation	7,761	5,248
Unrecognized net pension loss	56,227	198,828
Accrued pension cost	($ 845,532)	($ 858,550)
Vested benefit	$ 158,562	$ 221,401

C. In 2009 and 2010, the details of net pension cost were as follows:

	2009	2010
Service cost	$ 40,361	$ 36,612
Interest cost	36,969	33,067
Expected return on plan assets	(8,310)	(12,603)
Amortization of unrecognized net transition obligation	2,513	2,513
Net periodic pension cost	$ 71,533	$ 59,589

2) Effective July 1,2005, in accordance with the Labor Pension Act, the Company has a defined contribution employee retirement plan covering all domestic employees. The Company contributes monthly an amount based on 6% of employees' monthly salaries and wages to the employees' personal pension accounts with the Bureau of Labor Insurance. Employees may choose to receive pension on a monthly basis or as lump sum payment upon retirement in which the amount is the account balance plus accumulated investment gains. The pension expenses under this plan amounted to $229,080 and $273,623 for the years ended December 31, 2009 and 2010, respectively.

3) The Company's mainland subsidiaries have defined contribution pension plans and contribute an amount monthly based on 8%~9% of employees' monthly salaries and wages to an independent fund administered by a government agency. The plan is administered by the government of the People's Republic of China (PRC) and the subsidiaries do not have further pension liabilities.

4) As of December 31, 2009 and 2010, the subsidiaries which participated in defined contribution pension plans recognized reserve according to the respective local laws for retirement plan in the amount of $233,711 and $232,462, respectively. Pension expenses in the amount of $3,469,281 and

$5,082,129 were recognized for the years ended December 31, 2009 and 2010, respectively.

(19) Capital stock

1) As of December 31, 2010, the Company's authorized shares were 10,820,000 thousand shares (including 200 million shares reserved for stock warrants or bonds issued with detachable warrants) and the issued and outstanding common stock were 9,661,248 thousand shares with a par value of $10 (in dollars) per share.

2) On June 8, 2010, the Company's shareholders adopted a resolution to increase the authorized shares to 10,820,000 thousand shares and to issue stock dividends at par value amounting to $10,294,718.

3) On June 8, 2010, the Company's shareholders approved employees' stock bonus amounting to $5,449,328 for 2009. The employee stock bonus of 52,845 thousand shares was determined based on the closing price of $103.12 (in dollars) on June 7, 2010, the previous day of the 2010 shareholders' meeting after taking into account the effects of ex-rights and ex-dividends.

4) Pursuant to the resolution adopted at the stockholders' meeting held on June 1, 1999, and after obtaining approval from the SFC, the Company issued 25 million units of global depository receipts (GDRs) in Europe, Asia and the USA, comprising 50 million shares of common stock (Deposited Shares). The issuance amounted to USD$347,250,000, and the main terms and conditions of the GDRs are as follows:

A. Voting

Holders of GDRs have no right to directly exercise voting rights or attend the Company's stockholders' meeting, except when a motion is on the election of directors or supervisors.

A holder or holders together holding at least 51% of the GDRs outstanding at the relevant record date of the stockholders' meeting can instruct the Depositary to vote in the same direction in respect of one or more resolutions to be proposed at the meeting.

B. Sale and withdrawal of GDRs

Under the current R.O.C. law, shares represented by the GDRs may be withdrawn by holders of GDRs commencing three months after the initial issue of GDRs. A holder of a GDR may, provided that the Company has delivered to the custodian physical share certificates in respect of the Deposited Shares, request the Depositary to sell or cause to be sold on behalf of such holder the shares represented by such GDRs.

C. Dividends

GDR holders are entitled to receive dividends to the same extent as the holders of common stock subject to the terms of the Deposit Agreement and applicable laws of the R.O.C.

D. As of December 31, 2010, 149,197,000 units of GDRs were outstanding, which represents 298,393 thousand shares of common stock.

(20) Share-based payment - employee compensation plan

As of December 31, 2009 and 2010, the share-based payment transactions of Foxconn International Holdings Ltd. (Cayman), a subsidiary of the Company (listed on the Stock Exchange of Hong Kong), are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions/ Restricted terms
Employee stock options	July 25, 2005	435,599,000	1 ~ 6 years	Note (1)
〃	September 12, 2007	2,400,000	1 ~ 6 years	〃
Share appreciation rights	January 1, 2006	7,343,564	1 ~ 3 years	-
Other share-based payment plans	December 29, 2006	5,748,145	-	Note (2)
〃	July 24, 2007	502,090	-	Note (3)
〃	December 28, 2007	20,459,322	-	Note (4)
〃	October 29, 2009	26,161,489	-	-
〃	April 27, 2010	9,435,264	-	-
〃	November 19, 2010	25,616,428	-	-
〃	December 29, 2010	35,573,029	-	-

Note:

(1)Vested upon completion of certain years' service.

(2)Of the shares granted, 2,737,718 shares cannot be sold within one to three years from the grant date.

(3)Of the shares granted, 407,000 shares cannot be sold within one to two years from the grant date.

(4)Of the shares granted, 20,362,078 shares cannot be sold within one to three years from the grant date.

1) Employee stock options

For the stock options granted with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Grant date	Stock price (HK$)	Exercise price (HK$)	Expected price volatility	Expected dividend yield rate	Risk-free interest rate	Fair value per share (US$)
July 25, 2005	$ 5.95	$ 6.06	30%	-	3.39%	$ 0.24
September 12, 2007(A)	19.46	20.63	36%	-	3.92%	0.86

For the years ended December 31, 2009 and 2010, the weighted-average exercise price of employee stock options outstanding were US$0.98 and US$1.23 (in dollars) per share, respectively, and expenses incurred on employee stock options transactions were $164,011 (US$4,964 thousand) and $126,647 (US$4,018 thousand), respectively. Details of the employee stock options are set forth below:

	For the years ended December 31,	
Employee Stock Options (In shares)	2009	2010
Options outstanding at beginning of year	308,100,192	264,831,013
Options exercised	(12,268,150)	(33,901,600)
Options revoked	(30,881,175)	(3,391,908)
Options canceled	(119,854)	(78,400)
Options outstanding at end of year	264,831,013	227,459,105
Options exercisable at end of year	150,281,253	171,517,825

2) Share appreciation rights

For the years ended December 31, 2009 and 2010, the range of exercise price of stock appreciation rights outstanding were HK$3.96～HK$26.05 and HK$3.96～HK$25.65 (in dollars), respectively. As of December 31, 2009 and 2010, the liabilities on stock appreciation rights were $10,013 (US$ 313 thousand) and $0, respectively (shown as “Accrued expenses”). For the years ended December 31, 2009 and 2010, expenses incurred on stock appreciation rights transactions were $6,278 (US$190 thousand) and $347 (US$11 thousand), respectively.

3) Other share-based payment plans

These share-based payments were granted to employees. For the years ended December 31, 2009 and 2010, expenses incurred on other share-based payments were $899,811 (US$27,234 thousand) and $1,636,235 (US$51,911 thousand), respectively.

(21) Capital reserve

1) Pursuant to the R.O.C. Securities and Exchange Law, for the capital reserve arising from donations and from paid-in capital in excess of par value on issuance of common stocks, an amount equal to up to 10% of the contributed capital can be capitalized, provided that there is no accumulated deficit, and the remainder is restricted to cover deficit. Further, accumulated deficit shall be first covered by retained earnings before capital reserve can be used to cover any accumulated deficit.

2) Under the R.O.C. SFB regulations, the Company may apply, once a year, to capitalize the capital reserves arising from paid-in capital in excess of par on the issuance of stocks for cash. The application shall be made after the year of the issuance, and the amount to be capitalized shall not exceed the prescribed amount.

3) According to rules of regulatory agency, capital reserve arising from long-term equity investments accounted for under the equity method cannot be capitalized.

4) Please see Note 4 (16) for information on “Capital reserve from conversion right”.

(22) Retained earnings

1) In accordance with the Company's Articles of Incorporation, current year's earnings must be distributed in the following order:

A. Covering accumulated deficit;

B. Setting aside as legal reserve equal to 10% of current year's net income after tax and distribution pursuant to clause (A);

C. Setting aside a special reserve in accordance with applicable legal and regulatory requirement;

D. 8% as bonuses to employees; qualified employees include employees of affiliates per criteria set by Board of Directors; and

E. the remainder shall be distributed pursuant to the proposal of the board of directors in accordance with the Company's dividend policy.

The Company's dividend policy requires the board of directors to consider the Company's budget for future capital expenditures and funding needs when proposing the distribution of earnings. The proposal should be resolved in the Meeting of the Stockholders. Dividends may be distributed in the form of cash or shares, or a combination of both, provided, however, that cash dividends distributed in respect of any fiscal year shall not exceed 90 percent of total dividends to stockholders.

2) The details of the undistributed earnings were as follows:

	December 31, 2009	December 31, 2010
Before new tax system was adopted	$ 2,163,509	$ 2,163,509
After new tax system was adopted		
Subjected to additional 10% corporate income tax	150,965,282	191,629,294
Not subjected to additional 10% corporate income tax	75,685,105	77,154,551
	$ 228,813,896	$ 270,947,354

3) The details of imputation system were as follows:

	December 31, 2009	December 31, 2010
Balance of stockholders deductible tax account	$ 23,920,732	$ 29,284,069
	2009 (Actual)	2010 (Estimated)
Tax deductible rate of earnings distribution	13.61%	14.03%

4) The appropriation of 2008 and 2009 earnings had been resolved at the stockholders' meeting on April 16, 2009 and June 8, 2010, respectively. Details are summarized below:

	2008		2009	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 5,513,318	$ -	$ 7,568,511	$ -
Stock dividends	11,121,935	1.5	10,294,718	1.2
Cash dividends	8,156,086	1.1	17,157,864	2.0
	$24,791,339	$ 2.6	$ 35,021,093	$ 3.2

As of the report date, the distribution of 2010 earnings had not been approved by the board of directors. The information on distribution of earnings will be posted on the "Market Observation Post System" of the TSEC.

5) The estimated amounts of employees' bonus and directors' and supervisors' remuneration for 2009 and 2010 are $5,449,328 and $0, and $5,555,128 and $0, respectively, based on a certain percentage (8% and 0%) of net income, after taking into account the legal reserve and other factors. If the estimated amounts are different from the amounts resolved by stockholders subsequently, the difference is recognized as gain or loss in the following year. The information on employees' bonus and directors' and supervisors' remuneration is posted on the "Market Observation Post System" at the website of the TSEC. The employee stock bonus of 52,845 thousand shares were determined by the closing price of the Company's common stock, $103.12 (in dollars), on June 7, 2010, the previous day of the 2010 shareholders' meeting after taking into account the effects of ex-rights and ex-dividends. The employee stock bonus less than one share is paid in cash in the amount of $53 (in dollars).

(23) Earnings per common share

	For the year ended December 31, 2009				
	Amount		Number of shares (in thousands)	Earnings per common share	
	Before tax	After tax		Before tax	After tax
Basic earnings per share:					
Consolidated net income	$88,030,964	$76,380,293	9,607,327	$ 9.16	$ 7.95
Minority interest	(994,122)	(695,188)		(0.10)	(0.07)
Net income attributable to equity holders of the Company	$87,036,842	$75,685,105		$ 9.06	$ 7.88
Diluted earnings per share:					
Consolidated net income	$88,030,964	$76,380,293		$ 9.05	$ 7.85
Minority interest	(994,122)	(695,188)		(0.10)	(0.07)
Dilutive effect of stock equivalents:					
Convertible bonds	341,642	256,231	74,492	0.04	0.03
Employees' bonus-2009	-	-	41,364	-	-
Net income attributable to equity holders of the Company	$87,378,484	$75,941,336	9,723,183	$ 8.99	$ 7.81

	For the year ended December 31, 2010				
	Amount		Number of shares (in thousands)	Earnings per common share	
	Before tax	After tax		Before tax	After tax
Basic earnings per share:					
Consolidated net income	$91,477,208	$75,472,644	9,637,296	$ 9.49	$ 7.83
Minority interest	1,281,920	1,681,907		0.13	0.18
Net income attributable to equity holders of the Company	$92,759,128	$77,154,551		$ 9.62	$ 8.01
Diluted earnings per share:					
Consolidated net income	$91,477,208	$75,472,644		$ 9.18	$ 7.57
Minority interest	1,281,920	1,681,907		0.13	0.17
Dilutive effect of stock equivalents:					
Convertible bonds-overseas	149,306	123,924	204,589	0.01	0.01
Convertible bonds-domestic	-	-	74,492	-	-
Employees' bonus-2010	-	-	52,951	-	-
Net income attributable to equity holders of the Company	$92,908,434	$77,278,475	9,969,328	$ 9.32	$ 7.75

1) The number of shares had retroactively been adjusted by the stock dividends as of December 31, 2010.

2) Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall assume that distribution will be in the form of stocks in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common shares; whereas, the basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year, which shall include the shares of employees' stock bonus from the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year.

(24)Personnel, depreciation and amortization expenses

	For the year ended December 31,	
	2009	2010
Cost of sales		
Personnel expenses		
Salaries	$ 55,229,591	$ 78,072,826
Labor and health insurances	2,198,200	2,142,703
Pension	2,464,940	3,934,686
Others	985,509	1,546,978
	$ 60,878,240	$ 85,697,193
Depreciation	$ 25,467,305	$ 27,414,533
Amortization	$ 2,716,345	$ 2,724,007
Operating expenses		
Personnel expenses		
Salaries	$ 38,188,081	$ 44,196,400
Labor and health insurances	2,120,935	2,244,723
Pension	1,304,954	1,480,655
Others	706,441	680,017
	$ 42,320,411	$ 48,601,795
Depreciation	$ 7,464,184	$ 9,447,908
Amortization	$ 2,751,029	$ 1,544,094

5. RELATED PARTY TRANSACTIONS

1) Names of related parties and their relationship with the Company

Names of related parties	Relationship with the Company
Foxconn Technology Co., Ltd. and subsidiaries (FTCS)	Investee company accounted for under the equity method
Pan International Industrial Corporation and subsidiaries (PIICS)	"
Foxconn Advanced Technology, Ltd.-Cayman (FATS-Cayman)	An indirectly-owned investee company accounted for under the equity method
Foxsemicon Integrated Technology, Inc. and subsidiaries (FITI)	"
CyberTAN Technology, Inc. (CyberTAN)	"
Cheng Uei Precision Industry Co., Ltd. (CUPC)	The chairman is a brother of the Company's chairman
Chimei Innolux Corporation and subsidiaries (Chimei Innolux) (Formerly InnoLux Display Co., Ltd.)	Same major shareholder

All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. Except for transactions with the above related parties, there were no other material transactions between related parties and the Company for the years ended December 31, 2009 and 2010.

2) Significant transactions and balances with related parties

A. Sales

	For the years ended December 31,			
	2009	%	2010	%
FTCS	$ 95,908,017	5	$ 90,038,838	3
Chimei Innolux	6,124,327	-	11,631,750	1
CyberTAN	6,931,393	1	4,738,507	-
Others	3,504,601	-	2,004,665	-
	$ 112,468,338	6	$ 108,413,760	4

The sales prices and credit terms to related parties were not significantly different from sales to third parties. For other particular related party transactions, prices and terms were determined in accordance with mutual agreements. .

The Group sold materials to the above related parties for processing and repurchased the finished goods. The sales amount of materials and repurchase price of finished goods were offset against each other and shown at net amount in the financial statements.

B. Purchases

	For the years ended December 31,			
	2009	%	2010	%
FTCS	$ 19,740,802	1	$ 23,716,438	1
FATS-Cayman	11,787,777	1	20,983,543	1
Chimei Innolux	8,933,063	1	16,079,770	1
PIICS	7,114,116	-	6,375,994	-
CyberTAN	2,580,309	-	3,932,941	-
Others	845,874	-	553,305	-
	$ 55,048,011	3	$ 71,641,991	3

The purchase prices and payment terms to related parties were not significantly different from purchases from third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements. The payment terms to third parties are between 30 to 90 days.

C. Accounts receivable - related parties

	December 31,			
	2009	%	2010	%
FTCS	$ 13,487,581	4	$ 12,614,654	3
Chimei Innolux	3,349,661	1	4,248,219	1
CyberTAN	1,089,693	-	1,107,318	-
Others	1,102,911	1	858,309	-
	19,029,846	6	18,828,500	4
Less: Allowance for doubtful accounts	(72,076)		(149,163)	
	$ 18,957,770		$ 18,679,337	

D. Prepayment

	December 31, 2009	December 31, 2010
FITI	$ 116,610	$ 116,610

E. Other receivables

The Group purchased materials on behalf of FTCS and FITI, etc. As of December 31, 2009 and 2010, other receivables amounted to $763,638 and $1,501,924, respectively.

F. Accounts payable - related parties

	December 31,			
	2009	%	2010	%
FTCS	$ 9,179,847	3	$ 13,672,611	3
FATS-Cayman	3,732,891	1	4,589,395	1
Chimei Innolux	1,587,516	-	2,708,189	1
PIICS	1,935,780	1	1,691,091	1
Others	2,371,457	1	874,926	-
	$ 18,807,491	6	$ 23,536,212	6

As of December 31, 2009 and 2010, a portion of accounts payable to FTCS in the amount of $4,779,334 and $6,973,252, respectively, pertains to purchases of materials made by FTCS on behalf of the Group.

G. Property transactions

For the year ended December 31, 2009

Counterparty	Transaction	Sales / purchase price	Gain on disposal	Receivables / (payables) at December 31, 2009
FTCS, Chimei Innolux, FAT-Cayman, and PIICS	Sale of fixed assets	$ 511,788	$ 15,556	$ 85,650
FTCS, Chimei Innolux, FAT-Cayman, PIICS, CyberTAN and FITI	Acquisition of fixed assets	142,077	-	(14,788)

For the year ended December 31, 2010				
Counterparty	Transaction	Sales / purchase price	Gain on disposal	Receivables / (payables) at December 31, 2010
FTCS, Chimei Innolux, FAT-Cayman, PIICS	Sale of fixed assets	$ 441,896	$ 6,188	$ 263,301
FTCS, Chimei Innolux, FAT-Cayman, PIICS, CyberTAN and FITI	Acquisition of fixed assets	626,407	-	(219,590)

H. Guarantees

Endorsements and guarantees provided for the related parties as of December 31, 2009 and 2010 are as follows:

	December 31, 2009	December 31, 2010
Foxconn (Far East) Ltd.	$ 33,390,135	$ 30,208,545
	(USD1,035,000 thousand)	(USD1,035,000 thousand)
Foxconn Slovakia SPOL. S R.O.	$ -	$ 27,177,948
	-	(EUR 710,000 thousand)

I. The following sets forth the salaries/rewards information of key management, such as directors, supervisors, general manager, vice general manager, etc.:

	For the years ended December 31, 2009	For the years ended December 31, 2010
Salaries and bonuses	$ 134,678	$ 166,897
Service execution fees	960	960
Directors' and supervisors' remuneration and employees' bonus	109,078	80,344
Share-based payment	44,307	103,228
	$ 289,023	$ 351,429

(A) Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, rewards, etc.

(B) Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing and vehicles offering, etc.

(C) Directors' and supervisors' remuneration and employees' bonus were those amounts estimated and accrued in the statement of income for the current year.

(D) Share-based payment expenses were the compensation costs accounted for under R.O.C SFAS No. 39.

(E) The relevant information above is shown in the Company's annual report.

6. PLEDGED ASSETS

As of December 31, 2009 and 2010, the assets pledged as collateral were as follows:

		December 31,	
		2009	2010
Assets	Nature	Book value	Book value
Time deposits and cash (shown as other financial assets non-current)	Short-term loans, bond deposit as security for court proceedings, security deposit for employment of foreign employees and customs deposits	$ 3,550,787	$ 58,319,120
Accounts receivable	Short-term loans	549,608	-
Fixed assets -Land and buildings	Short-term loans	160,216	-
Fixed assets -Machine equipments	Short-term loans	-	87,869
		$ 4,260,611	$ 58,406,989

7. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2010, the Group's significant commitments and contingent liabilities were as follows:

1) The Company entered into several contracts for the acquisition of machinery and construction of research center with total value of approximately $18,729 million. As of December 31, 2010, the unpaid balance on these contracts amounted to $6,005 million.
2) As of December 31, 2010, the Company’s subsidiaries’ future minimum lease payments for factories and employees' dormitory were approximately $1,646 million as follows:

Year	Amount
2011	$ 464,264
2012	324,422
2013	276,656
2014	279,977
2015 and thereafter	300,307
	$ 1,645,626

3) The Group entered into an agreement with Qualcomm Incorporated regarding mobile phone use right. Under the agreement, the Group shall pay royalties based on sales volume of the related products.
4) Mondis Technology Ltd. filed a lawsuit with the U.S. District Court for the Eastern District of Texas and requested this court to issue an injunction against the Company, alleging infringement, among others, of its patent on panel display and claimed indemnities for its losses. The Company has appointed a legal counsel to attend to this case. On November 30, 2009, the Company also sued its suppliers - Lite-on, Tatung and TPV, seeking fulfillment of their liability for the case above. On January 15, 2010, Mondis added TV product into part of the scope of the litigation. The ultimate outcome of the lawsuit and the damages that may incur cannot be reasonably estimated as the litigation is still under trial and investigation.

5) In November 2008, Spansion Inc. requested the U.S. International Trade Commission (the “ITC”) to conduct an investigation, alleging patent infringement that Samsung flashing IC was assembled into the Company’s products. Spansion Inc. requested the U.S. ITC to issue an injunction to ban the Company’s export of related products to the United States. Spansion Inc. has made an out-of-court settlement with Samsung on March 3, 2009. However, on March 1, 2009, Spansion Inc. filed for bankruptcy in the United States, and the bankruptcy court refused to approve their settlement. On October 22, 2010, ITC had preliminarily announced that the Company was not involved in patent infringement for this case.

6) In March 2009, O2 Micro Int’l Ltd. filed a lawsuit against the Company and Ampower Holding Ltd., an investee company indirectly owned by the Company and accounted for under the equity method, and claimed indemnities for its losses. O2 Micro Int’l Ltd. alleged that the Company and Ampower Holding Ltd. failed to comply with the out-of-court settlement relating to previous patent dispute litigation. However, O2 Micro Int’l Ltd. has made an out-of-court settlement with the Company and Ampower Holding Ltd. on October 24, 2010. The settlement consideration is insignificant. The lawsuit proceeding has been terminated.

8. SIGNIFICANT CATASTROPHE

On Febuary19, 2010, the Group’s plant in Mexico was set on fire due to riot. There were no damages to the production lines, warehouses and equipment of the plant and the business operated as normal. Customer delivery schedule was unaffected.

9. SUBSEQUENT EVENTS

1) On January 7, 2011, following the approval from the SFB, the Company issued 2011 1st domestic unsecured bonds in the amount of $6,000,000. The nominal interest rate of the bonds was 1.47%. These bonds cover a period of five years from March 8, 2011 to March 8, 2016.

2) On March 18, 2011, the Company’s board of directors resolved for the Company to issue its unsecured bonds in the amount up to $12,000,000, which can be issued in installments.

3) The Company entered into a syndicated credit facility agreement with Mizuho Corporate Bank Ltd. as the lead bank and obtained a credit line in the amount of YEN51 billion. These loans cover a period of three years from March 31, 2011 to March 31, 2014. On March 31, 2011, Mizuho Corporate Bank Ltd., etc. syndicated loan is YEN17,655 million.

10.OTHERS

1) Fair value of financial instruments

	December 31, 2009			
		Fair value		
Non-derivative financial instruments	Book value	Quotation in an active market	Estimated using a valuation technique	Note
Assets:				
Financial assets with fair values equal to book values	$509,226,029	$ -	$509,226,029	A
Open-end funds	15,000	15,000	-	B
Available-for-sale financial assets	18,335,410	18,335,410	-	C
Financial assets carried at cost - non-current	1,500,572	-	-	D
Refundable deposits	555,333	-	550,762	E
Liabilities:				
Financial liabilities with fair values equal to book values	461,940,331	-	461,940,331	A
Long-term bonds payable	29,539,400	-	29,279,407	F
Derivative financial instruments				
Assets:				
Futures contracts	273,773	-	273,773	G
Forward exchange contracts - open	32,212	-	32,212	G
Liabilities:				
Forward exchange contracts - open	56,478	-	56,478	G
Forward exchange contracts - offset	1,278	-	1,287	G
Off-balance sheet financial instruments				
Guarantees	33,390,135 (US$1,035,000 thousand)	-	33,390,135 (US$1,035,000 thousand)	H

Non-derivative financial instruments	December 31, 2010 Book value	Fair value Quotation in an active market	Estimated using a valuation technique	Note
Assets:				
Financial assets with fair values equal to book values	$694,953,858	$ -	$694,953,858	A
Open-end funds	15,000	15,000	-	B
Available-for-sale financial assets	14,705,573	14,705,573	-	C
Financial assets carried at cost - non-current	3,039,286	-	-	D
Refundable deposits	1,640,570	-	1,635,660	E
Liabilities:				
Financial liabilities with fair values equal to book values	756,444,137	-	756,444,137	A
Long-term bonds payable	45,635,371	-	40,392,668	F
Derivative financial instruments				
Assets:				
Forward exchange contracts	70,049	-	70,049	G
Liabilities:				
Forward exchange contracts	182,234	-	182,234	G
Off-balance sheet financial instruments				
Guarantees-USD	30,208,545 (US$1,035,000 thousand)	-	30,208,545 (US$1,035,000 thousand)	H
Guarantees-EUR	27,177,948 (EUR$ 710,000 thousand)	-	27,177,948 (EUR$ 710,000 thousand)	H

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

A. For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, notes and accounts receivable, other receivables, short-term loans, notes and accounts payable, accrued expenses, current portion of long-term liabilities, other payables and other current liabilities.

B. For Open-ended funds, the fair values were determined based on the funds' net assets at December 31, 2009 and 2010.

C. Available-for-sale financial assets are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The fair values of available-for-sale financial assets are based on the quotation in the active markets as of December 31, 2009 and 2010.

D. As financial assets carried at cost are not quoted in an active market and their fair value cannot be measured reliably, they are measured at cost.

E. The fair value of refundable deposits is based on the present value of expected future cash inflow, and the discount rate is based on the fixed rate of the one year time deposit given by the Post Office as of December 31, 2009 and 2010.

F. The fair value of convertible bonds issued after Janurary 1,2006 is based on the present value of expected cash flow amount. The discount rate is the effective interest rate of convertible bonds in the current market, whose contractual terms are similar to those of convertible bonds issued by the Company.

G. The fair values of derivative financial instruments which include unrealized gain or loss on unsettled contracts were determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.

H. The fair value of guarantees was based on the contract amounts.

2) Credit risk of off-balance sheet financial instruments

Please see Note 5. 2) H.

3) Financial risk control

A. The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk, credit risk, liquidity risk, and cash flow risk. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risk can be controlled internally or removed from business processes. Therefore, the goal in managing each of these risks is to reduce them to zero.

As for market risk, the goal is to optimize its overall position through strict recommendation, execution and audit processes, and proper consideration of a) long-term trends in the external economic/financial environment, b) internal operating conditions, and c) the actual effects of market fluctuations.

B. The risk management and control system of the Group is administered within a framework of stratified responsibility:

(1) The board of directors formulates and approves the procedures; the senior officers designated by the board make regular and unscheduled assessments of management procedures,

organizational structure, transaction flows, and whether there are any abnormal circumstances;

(2) The legal department reviews and examines transaction agreements;

(3) The finance department makes recommendations with regard to transactions and is responsible for carrying them out;

(4) The accounting department manages the accounts;

(5) The audit department undertakes audits.

Under this framework, with its strict adherence to proper segregation of duties and adequate internal control procedures, the Group seeks to minimize the potential adverse effects on the Group's financial performance.

4) Material financial risk information

A. Market risk

(1) Foreign exchange risk:

The Group's major purchase and sale transactions are conducted in USD. The fair value changes along with the foreign exchange rate fluctuations. However, the amounts and periods of the Group's accounts receivable and accounts payable are roughly equivalent, so the market risk could mostly be offset. When temporary gap rises, the Group would enter into the forward contract to hedge the risk. Accordingly, the Group expects no material risk as a whole.

(2) Equity price risk:

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the Group expects no significant securities price risk.

(3) Futures market risk:

The Group is exposed to price risk because of investments in futures market instruments, which have fair value in the active market. The Group sets limits to control the transaction volume and the stop-loss amount of derivatives to reduce its futures market risk. As a result, there is no significant future market risk.

(4) Interest rate risk:

The long-term bonds issued by the Group all have fixed interest rates, so there is no interest rate risk.

(5) Stock price risk:

i. The domestic convertible bonds issued by the Company are compound instruments, which include the conversion rights, call option, put option. Except that the fair value of the bonds would be changed due to changes in market interest rate, their fair value is mainly subject to the changes in the Company's stock price. The Company could exercise the call option to mitigate the stock price risk adequately.

ii. Furthermore, the call option has expired since November 10, 2009, three years after the issue date, thus no related risk is involved.

(6) Certain transactions of the Group involve non-functional currencies which are exposed to exchange rate fluctuations. The information on foreign currency denominated monetary assets

and liabilities which are significantly affected by exchange rate fluctuation is as follows:
(Foreign Currency: Functional Currency)

	December 31			
	2009		2010	
	Foreign currency amount (In thousands)	Exchange rate	Foreign currency amount (In thousands)	Exchange rate
Financial Assets				
Monetary item				
USD : NTD	$ 10,039,188	31.99	$ 12,742,002	29.13
USD : RMB	6,725,527	6.8282	4,970,860	6.6227
USD : HKD	664,962	7.7532	756,666	7.7721
YEN : RMB	23,952,170	0.0738	71,515,719	0.0813
YEN : NTD	17,146,032	0.3472	14,773,692	0.3582
Net effect in consolidated entities with foreign currency				
USD : NTD	9,836,772	31.99	12,851,398	29.13
EUR : NTD	21,867	46.10	218,331	38.92
HKD : NTD	35,694	4.1260	41,022	3.4780
Financial Liabilities				
Monetary item				
USD : RMB	4,127,244	6.8282	15,078,243	6.6227
USD : NTD	8,400,288	31.99	8,100,455	29.13
USD : INR	160,705	46.5362	500,007	44.7223
YEN : NTD	16,871,633	0.3472	23,506,070	0.3582
YEN : RMB	37,963,703	0.0738	21,161,314	0.0813
YEN : USD	16,052,787	0.0108	15,719,984	0.0119

B. Credit risk

(1) Receivables:

With respect to receivables of the Group, most of the debtors are well-known international companies with very good credit standing. Moreover, the adequacy of the allowance for doubtful accounts is assessed regularly, so there is no material credit risk.

(2) Financial market:

i. The long-term exchange rate and futures transactions entered into by the Group are done with financial institutions with very good credit standing. Consequently, the likelihood that the credit risk would occur is low.

ii. Convertible bonds payable of the Company were issued on the primary market, so that the Company is not exposed to credit risk that may arise from counterparties on the secondary market.

(3) Asset transactions:

The Group has investments in available-for-sale financial assets and financial assets that are measured at cost. Although the potential for credit risk does exist, there is an active market for available-for-sale financial assets, and for financial assets measured at cost, the Group performs impairment testing regularly. Moreover, the Group evaluated the counterparties' credit standing when it entered into the transaction. Although the potential for credit risk does exist, the Group does not expect material credit risk accordingly.

C. Liquidity risk

(1) Receivables:

As for receivables of the Group, the main debtors are well-known international companies with very good credit standing. There are no receivables overdue or with maturities over one year. Therefore, there is no material liquidity risk.

(2) Financial assets:

i. For available-for-sale financial assets held by the Group, there is an active market that allows these investments to be readily converted into certain amount of cash approximate to their fair values. The liquidity risk exposure is low.

ii. As for financial assets measured at cost, the liquidity risk is high as there is no active market. However, since the shareholding percentages are relatively low, they do not constitute major investments. Therefore, no material liquidity risk is expected.

(3) Foreign exchange transactions:

For forward foreign exchange transactions entered into by the Group, the targets of the transactions are all currencies traded on international foreign exchange markets with high trading volumes and a large number of traders bidding. Trading is active with high liquidity. Therefore, no material liquidity risk is expected.

(4) Futures transactions:

For futures transactions entered into by the Group, orders are placed on future exchanges in New York, Chicago or London. The numbers of available future targets and international market participants are adequate to facilitate easy entry and exit. Therefore, no material liquidity risk is expected.

(5) Working capital:

The Group has good operating and credit conditions and has sufficient working capital, so it expects no significant liquidity risk arising from insufficient capital to meet contract obligations.

(6) Convertible bonds:

(a)Domestic Convertible bonds payable

i. Under the terms of the domestic convertible bonds in the amount of 18 billion issued by the Company on November 10, 2006, the bondholders have the right to require the Company to redeem any bonds at face value on November 10, 2009, three years after the issue date.

ii.A total amount of $5,960,600 convertible bonds had been redeemed. The Company expects no significant liquidity risk would arise as it has sufficient working capital to meet the funding requirements for bonds redemption even if all the outstanding bonds are redeemed.

iii.The outstanding convertible bonds in the amount of $12,039,400 will be redeemed on the maturity date, November 10, 2011.

(b)Overseas Convertible bonds payable

The Company issued overseas convertible bonds in the amount of US$1 billion on October 12, 2010. The bonds will mature on October 12, 2013. The bondholders have no put options in the bonds. The Company expects no significant liquidity risk.

D. Cash flow risk from movements in interest rates

(1) Long-term liabilities:

i. The Group does not have long-term financial assets and liabilities that are affected by interest rate changes. Therefore, there should be no material cash flow risk from movements in interest rates.

ii. As to the domestic bonds payable issued by the Company, there should be no material cash flow risk from movements in interest rates due to the zero interest rate on the bond.

(2) Foreign exchange transactions:

The forward foreign currency transactions entered into by the Group are for the purpose of hedging against short-term gaps of the net positions of foreign currency assets and liabilities. As such, the amounts of the transactions are immaterial and their duration is short. Moreover, because of the equivalent foreign currency cash outflows and inflows, the Group expects no significant funding demand. Therefore, no material cash flow risk is expected from movements in interest rates.

(3) Financial assets:

As the investments of the Group are not interest-rate type products, there is no cash flow risk from movements in interest rates.

5) Other

The Company's subsidiary, PCE Paragon Solutions Kft., has signed a share purchase agreement with Dell Global B.V. and Dell International Holding VIII B.V. in December 2009 and had not paid the purchase price until December 31, 2010.

6) Elimination of intercompany transactions

For the year ended December 31, 2009		
Transaction	Companies	Amount
1) Elimination of long-term investments and stockholders' equity	Hyield Venture Capital Co., Ltd. Foxconn Holding Ltd. Foxconn (Far East) Ltd.-Cayman Bao Shin International Investment Co., Ltd. Hon Chi International Investment Co., Ltd. Hon Yuan International Investment Co., Ltd. Lin Yih International Investment Co., Ltd. Premier Image Technology (H.K), Limited Hon Hai/Foxconn Logistics California LLC. Hon Hai/Foxconn Logistics Texas LLC. Altus Technology Inc. Foxconn Singapore (PTE) Ltd. Ambit International Ltd. Margini Holdings Ltd. Image & Vision Investment Corp.	$ 346,889,023
2) Elimination of intercompany receivables, payables and prepayments		
A. Accounts receivable, accounts payable and other receivables/ payables	Foxconn Holding Ltd. Foxconn (Far East) Ltd.-Cayman Bao Shin International Investment Co., Ltd. Hyield Venture Capital Co., Ltd. Hon Hai/Foxconn Logistics California LLC. Hon Hai/Foxconn Logistics Texas LLC. Foxconn Singapore (PTE) Ltd. Ambit International Ltd. Margini Holdings Ltd. Premier Image Technology (H.K), Limited	120,781,770
B. Prepayments	Foxconn (Far East) Ltd.-Cayman Foxconn Holding Ltd.	1,112,138

For the year ended December 31, 2009			
Transaction	Companies		Amount
3) Elimination of profit and loss			
A. Sales and purchases	Foxconn (Far East) Ltd.-Cayman Foxconn Holding Ltd. Foxconn Singapore (PTE) Ltd. Hyield Venture Capital Co., Ltd. Bao Shin International Investment Co., Ltd. Ambit International Ltd. Hon Chi International Co., Ltd. Altus Technology Inc. Premier Image Technology (H.K), Limited Margini Holdings Ltd.	$	738,328,966
B. Logistics expenses	Foxconn (Far East) Ltd.-Cayman Hon Hai/Foxconn Logistics California LLC. Hon Hai/Foxconn Logistics Texas LLC.		1,238,081
C. Processing revenue and expenses	Foxconn (Far East) Ltd.-Cayman		94,148,262
D. Unrealized intercompany gross profit	Foxconn (Far East) Ltd.-Cayman Foxconn Holding Ltd. Ambit International Ltd. Premier Image Technology (H.K), Limited Margini Holdings Ltd.		2,547,211

For the year ended December 31, 2010		
Transactions	Companies	Amount
1) Elimination of long-term investments and stockholders' equity	Hyield Venture Capital Co., Ltd. Foxconn Holding Ltd. Foxconn (Far East) Ltd.-Cayman Bao Shin International Investment Co., Ltd. Hon Chi International Investment Co., Ltd. Hon Yuan International Investment Co., Ltd. Lin Yih International Investment Co., Ltd. Premier Image Technology (H.K), Limited Altus Technology Inc. Hon Hai/Foxconn Logistics California LLC. Hon Hai/Foxconn Logistics Texas LLC. Foxconn Singapore (PTE) Ltd. Ambit International Ltd. Margini Holdings Ltd. Image & Vision Investment Corp. Foxconn Holdings B.V. -Netherlands Foxconn SA B.V.	$ 414,587,071
2) Elimination of intercompany receivables, payables and prepayments		
A. Accounts receivable, accounts payable and other receivables/ payables	Foxconn Holding Ltd. Foxconn (Far East) Ltd.-Cayman Bao Shin International Investment Co., Ltd. Hyield Venture Capital Co., Ltd. Hon Hai/Foxconn Logistics California LLC. Hon Hai/Foxconn Logistics Texas LLC. Foxconn Singapore (PTE) Ltd. Ambit International Ltd. Margini Holdings Ltd. Premier Image Technology (H.K), Limited	206,915,021
B. Prepayments	Foxconn (Far East) Ltd.-Cayman Foxconn Holding Ltd.	4,179,623

For the year ended December 31, 2010		
Transactions	Companies	Amount
3) Elimination of profit and loss		
A. Sales and purchases	Foxconn (Far East) Ltd.-Cayman Foxconn Holding Ltd. Foxconn Singapore (PTE) Ltd. Hyield Venture Capital Co., Ltd. Bao Shin International Investment Co., Ltd. Ambit International Ltd. Hon Chi International Investment Co., Ltd. Altus Technology Inc. Premier Image Technology (H.K), Limited Margini Holdings Ltd.	$ 1,414,369,089
B. Logistics expenses	Foxconn (Far East) Ltd.-Cayman Hon Hai/Foxconn Logistics California LLC. Hon Hai/Foxconn Logistics Texas LLC.	1,532,226
C. Processing revenue and expenses	Foxconn (Far East) Ltd.-Cayman	98,559,738
D. Unrealized intercompany gross profit	Foxconn (Far East) Ltd.-Cayman Foxconn Holding Ltd. Ambit International Ltd. Premier Image Technology (H.K), Limited Margini Holdings Ltd.	2,011,024

11.SEGMENT INFORMATION

1) Financial information by industry: The Group operates in one single industry, the electronics industry. Accordingly, no segment industry information is presented.

2) Financial information by geographic area: In 2009 and 2010, the financial information of the Company by geographic area is shown below:

	2009			
	Territories outside Taiwan	Taiwan	Elimination	Total
Income from non-affiliated customers	$ 728,714,772	$1,237,299,489	$ -	$1,966,014,261
Income of the Company and consolidated subsidiaries	768,217,754	326,819,572	(1,095,037,326)	-
Total income	$1,496,932,526	$1,564,119,061	($1,095,037,326)	$1,966,014,261
Operating and non-operating income	$ 64,567,128	$ 26,373,530	($ 619,657)	$ 90,321,001
Investment income				3,535,365
Other expenses				(3,916,825)
Interest expense				(1,908,577)
Income before income tax				$ 88,030,964
Identifiable assets	$ 404,940,162	$ 445,326,218	($ 150,691,923)	$ 699,574,457
Long-term investments				33,115,491
Other assets				289,255,341
Total assets				$1,021,945,289

	2010			
	Territories outside Taiwan	Taiwan	Elimination	Total
Income from non-affiliated customers	$ 960,176,263	$2,048,170,644	$ -	$3,008,346,907
Income of the Company and consolidated subsidiaries	1,430,472,485	435,010,669	(1,855,483,154)	-
Total income	$3,490,648,748	$2,473,181,313	($1,855,483,154)	$3,008,346,907
Operating and non-operating income	$ 60,679,433	$ 37,076,538	($ 468,447)	$ 97,287,524
Investment income				3,339,605
Other expenses				(6,423,356)
Interest expense				(2,726,565)
Income before income tax				$ 91,477,208
Identifiable assets	$ 508,451,055	$ 727,796,678	($ 271,700,172)	$ 964,547,561
Long-term investments				35,962,494
Other assets				380,022,066
Total assets				$1,380,532,121

3) Information on export sales: In 2009 and 2010, the export sales of the Group were as follows:

Destination	2009	2010
Americas	$ 659,336,121	$ 863,793,171
Asia	750,824,422	1,208,148,000
Europe	534,293,943	887,522,698
	$ 1,944,454,485	$ 2,959,463,869

4) Major customers information:

Sales to a single customer which represent over 10% of net operating revenues were:

	Customers	Sales amount	% of net sales
2009	Customer E	$ 355,471,000	18
	Customer A	$ 307,034,000	16
	Customer C	$ 229,832,000	12
2010	Customer E	$ 794,294,000	26
	Customer A	$ 465,584,000	16
	Customer C	$ 408,787,000	14