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

JUNE 30, 2010 AND 2011

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have reviewed the accompanying consolidated balance sheets of Hon Hai Precision Industry Co., Ltd. and its subsidiaries as of June 30, 2010 and 2011, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-month periods 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 a conclusion on these financial statements based on our reviews. We did not review the financial statements of certain consolidated subsidiaries which statements reflect total assets of $184,674,091,000 and $167,258,168,000, constituting 14.50% and 10.83% of the consolidated total assets as of June 30, 2010 and 2011, respectively, and total revenues of $102,976,059,000 and $87,003,699,000, constituting 8.59% and 5.74% of the consolidated total operating revenues for the six-month periods then ended, respectively. Those statements were reviewed by other auditors, whose reports thereon have been furnished to us, and our conclusion expressed herein, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Notes 1(2) and 4(8), the financial statements of certain consolidated subsidiaries and long-term equity investments accounted for under the equity method were not reviewed by independent accountants, which statements reflect total assets (including long-term equity investments) of $280,104,664,000 and $261,524,230,000, constituting 21.99% and 16.93% of the consolidated total assets, and total liabilities of $129,159,537,000 and $255,306,108,000, constituting 16.58% and 25.21% of the consolidated total liabilities as of June 30, 2010 and 2011, respectively, as well as total net income (including investment income accounted for under the equity method) of $9,049,762,000 and $1,124,754,000, constituting 26.95% and 4.11% of the consolidated net income for the six-month periods then ended, respectively.

Based on our reviews and the reports of other auditors, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and long-term investments been reviewed as explained in the preceding paragraph and 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, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be 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, 2011, the Company and subsidiaries adopted the amendments to R.O.C. SFAS No. 34, “Financial Instruments: Recognition and Measurement ” and R.O.C. SFAS No. 41, “Operating Segments” .

PricewaterhouseCoopers, Taiwan
August 25, 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
JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2010	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 249,758,233	$ 296,963,446
Financial assets at fair value through profit or loss - current (Note 4(2))	110,270	47,935
Available-for-sale financial assets - current (Note 4(3))	1,054,860	858,749
Accounts receivable, net (Notes 4(4) and 6)	369,075,621	376,369,729
Accounts receivable, net - related parties (Note 5)	17,491,873	11,321,416
Other receivables (Notes 4(5) and 5)	28,195,618	28,053,648
Inventories, net (Note 4(6))	253,195,564	323,578,155
Prepayments (Note 5)	5,941,376	7,121,256
Deferred income tax assets - current (Note 4(15))	2,327,151	5,522,155
	927,150,566	1,049,836,489
Funds and Investments		
Available-for-sale financial assets - non-current (Note 4(3))	12,743,732	7,761,110
Financial assets carried at cost - non-current (Note 4(7))	2,148,152	3,504,819
Long-term equity investments under the equity method (Note 4(8))	33,401,829	36,063,598
Prepayments for long-term investments (Note 4(8))	33,033	88,332
Other financial assets - non-current (Note 6)	23,481,870	99,952,874
	71,808,616	147,370,733
Property, Plant and Equipment (Notes 4(9), 5 and 6)		
Cost		
Land	3,885,454	4,209,510
Buildings and improvements	115,607,973	128,888,984
Machinery	160,765,871	215,657,984
Molding equipment	3,150,875	3,643,244
Testing equipment	21,577,499	25,623,091
Office equipment	13,748,520	14,827,426
Tooling equipment	3,246,397	2,905,642
Other equipment	31,477,981	37,110,624
Cost and revaluation	353,460,570	432,866,505
Less: Accumulated depreciation	(131,005,767)	(159,117,785)
Accumulated impairment	(3,623,071)	(4,749,125)
Construction in progress and prepayments for equipment	23,354,417	41,706,959
	242,186,149	310,706,554
Intangible Assets (Note 4(10))		
Goodwill	215,474	215,474
Other intangible assets	316,356	-
	531,830	215,474
Other Assets		
Deferred charges	5,482,189	13,006,496
Other assets - other (Note 4(11))	26,574,145	23,411,348
	32,056,334	36,417,844
TOTAL ASSETS	$ 1,273,733,495	$ 1,544,547,094

(continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2010	2011
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current Liabilities		
Short-term loans (Note 4(12))	$ 171,430,469	$ 313,200,899
Short-term notes and bills payable (Note 4(13))	-	998,941
Financial liabilities at fair value through profit or loss - current (Note 4(2))	73,246	125,086
Accounts payable	398,200,552	411,190,411
Accounts payable - related parties (Note 5)	21,104,777	21,088,896
Income tax payable (Note 4(15))	12,811,552	12,285,396
Accrued expenses (Notes 4(14)(20))	50,632,926	61,096,133
Dividends payable (Note 4(22))	17,157,864	9,661,248
Payables for equipment (Note 5)	6,670,426	12,216,869
Other payables	5,972,878	5,282,601
Receipts in advance	2,377,013	6,574,344
Long-term liabilities - current portion (Notes 4(16)(17))	6,000,000	20,954,300
Accrued warranty liabilities	10,191,835	19,413,227
Other current liabilities	4,513,049	4,168,095
	707,136,587	898,256,446
Long-term Liabilities		
Bonds payable (Note 4(16))	29,539,400	58,621,373
Long-term loans (Note 4(17))	33,275,250	48,656,713
	62,814,650	107,278,086
Other Liabilities		
Reserve for retirement plan (Note 4(18))	1,066,104	1,048,220
Deferred income tax liabilities - non-current (Note 4(15))	3,634,823	2,611,037
Other liabilities - other	4,437,183	3,513,025
	9,138,110	7,172,282
Total Liabilities	779,089,347	1,012,706,814
Stockholders’ Equity		
Stockholders’ Equity of Parent Company		
Capital stock (Note 4(19))		
Common stock	85,789,319	96,612,482
Stock dividends distributable	15,744,046	15,216,376
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	14,339,295	14,982,010
Capital reserve from conversion right (Note 4(16))	1,195,200	3,229,640
Retained earnings (Note 4(22))		
Legal reserve	44,105,947	51,821,402
Undistributed earnings	228,531,220	271,293,597
Other adjustments to stockholders’ equity		
Cumulative translation adjustments	16,705,017	(7,293,222)
Unrealized gain or loss on financial instruments (Note 4(3))	11,298,347	5,301,623
Treasury stock	(18,901)	(18,901)
Stockholders' equity of parent company	459,842,228	498,218,627
Minority interest	34,801,920	33,621,653
Total stockholders' equity	494,644,148	531,840,280
Commitments and Contingent Liabilities (Note 7)		
Subsequent Events (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 1,273,733,495	$ 1,544,547,094

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 25, 2011.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS PER SHARE DATA)
(UNAUDITED)

	2010	2011
Operating Revenue		
Sales (Note 5)	$ 1,198,358,939	$ 1,515,196,651
Operating Costs		
Cost of goods sold (Notes 4(6)(24) and 5)	(1,098,192,650)	(1,405,121,972)
Gross profit	100,166,289	110,074,679
Operating expenses (Notes 4(20)(24))		
Sales and marketing expenses	(21,904,546)	(30,802,678)
General and administrative expenses	(21,406,010)	(32,498,147)
Research and development expenses	(16,851,638)	(18,269,283)
Total operating expenses	(60,162,194)	(81,570,108)
Operating income	40,004,095	28,504,571
Non-operating income and gains		
Interest income	1,263,826	2,330,042
Investment income accounted for under the equity method (Note 4(8))	873,244	1,824,433
Foreign exchange gain - net	1,078,289	4,859,721
Other non-operating income (Note 5)	2,958,573	3,354,015
Total non-operating income and gains	6,173,932	12,368,211
Non-operating expenses and losses		
Interest expense	(952,730)	(2,394,765)
Financing charges (Note 4(4))	(50,756)	(150,627)
Impairment loss (Notes 4(7)(8)(9)(10))	(2,138,288)	-
Loss on valuation of financial assets (Note 4(2))	(63,023)	(491)
Loss on valuation of financial liabilities (Note 4(2))	-	(124,525)
Other non-operating losses	(472,138)	(380,656)
Total non-operating expenses and losses	(3,676,935)	(3,051,064)
Income before income tax	42,501,092	37,821,718
Income tax expense (Note 4(15))	(8,926,218)	(10,486,289)
Consolidated net income	$ 33,574,874	$ 27,335,429
Attributable to:		
Equity holders of the Company	$ 34,738,417	$ 27,384,194
Minority interest	(1,163,543)	(48,765)
	$ 33,574,874	$ 27,335,429

	2010 Before income tax	2010 After income tax	2011 Before income tax	2011 After income tax
Earnings per common share (Note 4(23))				
Basic earnings per common share				
Consolidated net income	$ 4.00	$ 3.16	$ 3.56	$ 2.57
Minority interest income	0.10	0.11	(0.02)	0.01
Net income attributable to equity holders of the Company	$ 4.10	$ 3.27	$ 3.54	$ 2.58
Diluted earnings per common share				
Consolidated net income	$ 3.96	$ 3.13	$ 3.45	$ 2.49
Minority interest income	0.10	0.11	0.02	0.03
Net income attributable to equity holders of the Company	$ 4.06	$ 3.24	$ 3.47	$ 2.52

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 25, 2011.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Capital Stock			Retained Earnings		Other Adjustments of Stockholders' Equity				
	Common stock	Stock dividends distributable	Capital reserves	Legal reserve	Undistributed earnings	Cumulative translation adjustments	Unrealized gain or loss on financial instruments	Treasury stock	Minority interest	Total
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
Appropriation of 2009 earnings (Note 1):										
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	-	5,449,328	-	-	-	-	-	-	-	5,449,328
Consolidated net income for the period	-	-	-	-	34,738,417	-	-	-	(1,163,543)	33,574,874
Unrealized loss on financial assets	-	-	-	-	-	-	(4,726,494)	-	-	(4,726,494)
Adjustments due to changes in equities of long-term investments	-	-	378,528	-	-	-	(878,076)	-	-	(499,548)
Cumulative translation adjustment	-	-	-	-	-	2,182,935	-	-	-	2,182,935
Minority interest	-	-	-	-	-	-	-	-	1,109,938	1,109,938
Balance at June 30, 2010	$ 85,789,319	$ 15,744,046	$ 57,687,233	$ 44,105,947	$ 228,531,220	$ 16,705,017	$ 11,298,347	($ 18,901)	$ 34,801,920	$ 494,644,148
2011										
Balance at January 1, 2011	$ 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
Appropriation of 2010 earnings (Note 2):										
Legal reserve	-	-	-	7,715,455	(7,715,455)	-	-	-	-	-
Cash dividends	-	-	-	-	(9,661,248)	-	-	-	-	(9,661,248)
Stock dividends	-	9,661,248	-	-	(9,661,248)	-	-	-	-	-
Employees' stock bonus	-	5,555,128	-	-	-	-	-	-	-	5,555,128
Consolidated net income for the period	-	-	-	-	27,384,194	-	-	-	(48,765)	27,335,429
Unrealized loss on financial assets	-	-	-	-	-	-	(6,150,461)	-	-	(6,150,461)
Adjustments due to changes in equities of long-term investments	-	-	274,207	-	-	-	(1,813,046)	-	-	(1,538,839)
Cumulative translation adjustment	-	-	-	-	-	2,037,097	-	-	-	2,037,097
Minority interest	-	-	-	-	-	-	-	-	817,169	817,169
Balance at June 30, 2011	$ 96,612,482	$ 15,216,376	$ 65,285,270	$ 51,821,402	$ 271,293,597	($ 7,293,222)	$ 5,301,623	($ 18,901)	$ 33,621,653	$ 531,840,280

Note 1: 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.

Note 2: Directors' and supervisors' remuneration amounting to $0 and employees' bonus amounting to $5,555,128 had been deducted from the Consolidated Statement of Income in 2010.

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 25, 2011.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2010	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 33,574,874	$ 27,335,429
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation	17,057,001	19,763,572
Amortization of intangible and other assets	2,135,992	2,357,190
Reversal of allowance for doubtful accounts	(579,040)	(1,183,157)
Gain on disposal of property, plant and equipment, net	(188,675)	(296,482)
Loss on impairment	2,138,288	-
(Gain) loss on valuation of financial assets and liabilities, net	(22,024)	91,163
Provision for inventory obsolescence and market price decline	439,587	1,325,259
Investment income accounted for under the equity method	(873,244)	(1,824,433)
Amortization of discount on convertible bonds payable	-	315,775
(Gain) loss on disposal of investments	(12,544)	3,234
Changes in assets and liabilities:		
Notes receivable	(7,972,139)	6,474,432
Accounts receivable	(72,064,076)	8,878,737
Accounts receivable - related parties	1,653,423	7,507,084
Inventories	(70,555,562)	(66,052,277)
Other receivables	(4,051,771)	(2,839,637)
Prepayments	(1,420,232)	(2,000,159)
Accounts payable	116,478,491	7,446,215
Accounts payable - related parties	2,297,286	(2,447,316)
Accrued expenses	5,685,707	1,997,327
Accrued warranty liabilities	2,547,598	5,859,427
Receipts in advance	(1,353,489)	(234,184)
Income tax payable	(426,306)	(2,340,608)
Accrued pension liabilities	(13,139)	(42,792)
Other payables and other current liabilities	2,082,349	1,273,288
Deferred income tax	(786,441)	(1,730,874)
Net cash provided by operating activities	25,771,914	15,315,487
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(20,426,373)	(47,837,133)
Increase in other assets	(3,144,285)	(7,854,079)
Increase in long-term equity investments	(1,412,136)	(689,284)
Acquisition of land use right	(142,193)	(147,097)
Increase in other financial assets - non-current	(19,931,083)	(41,633,754)
Acquisition of financial assets carried at cost	(576,052)	(366,665)
Acquisition of subsidiary and assets, net of cash acquired	(3,768,001)	-
Proceeds from disposal of property, plant and equipment	1,173,296	780,678
Financial assets / liability at fair value through profit or loss	(49,111)	(112,185)
Proceeds from disposal of funds and investments	-	7,591
Acquisition of available-for-sale financial assets	-	(107,944)
Proceeds from disposal of land use right	-	1,788,666
Net cash used in investing activities	(48,275,938)	(96,171,206)

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2010	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	$ 91,351,358	$ 111,817,899
Increase (decrease) in other liabilities-other	1,508,982	(420,484)
Increase in minority interest	1,109,938	817,169
Payment of employees' bonus accumulated before 2008	(932,136)	-
Increase in long-term loans	-	12,103,923
Payment of long-term loans	-	(5,819,060)
Increase in bonds payable	-	13,050,000
Decrease in short-term notes and bills payable	-	(8,592,347)
Net cash provided by financing activities	93,038,142	122,957,100
Net effect of changes in foreign currency exchange rates	1,680,975	620,742
Net increase in cash and cash equivalents	72,215,093	42,722,123
Cash and cash equivalents at beginning of period	177,543,140	254,241,323
Cash and cash equivalents at end of period	$ 249,758,233	$ 296,963,446
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 421,714	$ 1,539,380
Cash paid during the period for income tax	$ 10,069,796	$ 13,101,110
Cash paid for the acquisition of property, plant and equipment		
Increase in property, plant and equipment	$ 22,998,364	$ 48,813,450
Add: Payable – beginning balance	4,058,968	11,197,683
Less: Payable – ending balance	(6,670,426)	(12,216,869)
Effect of changes in foreign currency exchange rates	39,467	42,869
Cash paid	$ 20,426,373	$ 47,837,133
Investing activities with no cash flow effect:		
Unrealized loss on financial instruments		
Adjustment for change in value of available-for-sale financial assets	($ 4,726,494)	($ 6,150,461)
Valuation of long-term investments accounted for under the equity method	(878,076)	(1,813,046)
	($ 5,604,570)	($ 7,963,507)
Financing activities with no cash flow effect:		
Cash dividends payable	$ 17,157,864	$ 9,661,248
Employees' bonus payable	$ 5,449,328	$ 5,555,128
Fair value information of acquired subsidiary		
Current assets	$ 2,093,844	$ -
Property, plant and equipment	2,189,168	-
Other assets	15,048	-
Current liabilities	(203,784)	-
Other liabilities	(210,963)	-
Total purchase price	3,883,313	-
Less: Minority interest	(47,712)	-
Cash of subsidiary	(67,600)	-
Net assets of acquired subsidiary (less cash received)	$ 3,768,001	$ -

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

See review report of independent accountants dated August 25, 2011.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

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 June 30, 2011, the Company and its subsidiaries had approximately 957,000 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 (%) 2010.06.30	Ownership Percentage (%) 2011.06.30	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%	2(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 (%) 2010.06.30	Ownership Percentage (%) 2011.06.30	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	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 (%) 2010.06.30	2011.06.30	Note
Foxconn SA B.V. and subsidiaries	Majority-owned subsidiary	Investment holdings	95%	95%	
Image & Vision Investment Corporation	Wholly-owned subsidiary	Investment holdings	100%	-	2(5)
Margini Holdings Limited and subsidiaries	Wholly-owned subsidiary	Investment holdings in Vietnam and Brazil export process and both domestic and export sales companies	100%	100%	
Foxconn Holdings Limited and subsidiaries	Wholly-owned subsidiary	Investment holdings in Czech domestic sales companies	100%	100%	2(4)
Syntrend Creative Park Co., Ltd.	Majority-owned subsidiary	Manufacturing and marketing of computer components	80%	80%	2(2)

A. The financial statements of certain consolidated subsidiaries as of and for the six-month periods ended June 30, 2010 and 2011 were not reviewed by independent accountants, which reflect total assets of $268,526,658 and $254,261,787, constituting 21.08% and 16.46% of the consolidated total assets, and total liabilities of $129,159,537 and $255,306,108, constituting 16.58% and 25.21% of the consolidated total liabilities, as of June 30, 2010 and 2011, respectively, as well as total net income of $9,067,458 and $1,005,883, constituting 27.01% and 3.68% of the consolidated net income for the six-month periods then ended, respectively.

B. 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.-Netherlands from 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 June 30, 2010 and 2011, 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 intercompany accounts that are, in nature, deemed long term are 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 statement 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 (20).

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) Notes and accounts receivable, other receivables

A. Notes and accounts receivable are claims generated from the sale of goods or services. Other receivables are those receivables arising from transactions other than the sale of goods or services. Notes receivable, accounts receivable and other receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

B. The Group recognizes impairment loss on the financial instruments when there is an objective evidence of impairment. The amount of impairment is the book value less the present value of estimated future cash flows, discounted by original effective interest rate. If, subsequently, an event, directly related to impairment, indicates a decrease in impairment, the impairment loss recognized in prior years shall be recovered. The book value of the financial instruments after recovering the impairment shall not exceed the amortized cost that would have been had no impairment been recognized.

12) 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.

13) 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.

14) 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 determined using the straight-line method over the estimated economic useful lives. 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.

15) 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.

16) 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.

17) 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.

18) Warranty obligation

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

19) 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.

20) 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.

21) Income tax

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.

22) Government grants

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.

23) Treasury stock

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.

24) 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.

25) 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.

26) 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.

27) 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.

28) Operating segments

The identification and disclosure of operating segments of the Group are based on how the Group's chief operating decision maker regularly reviews information in order to allocate resources and assess performance.

The Group disclosed operating segments information on the consolidated financial statements in accordance with SFAS No. 41.

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Notes and accounts receivable, other receivables

Effective January 1, 2011, the Group adopted the newly revised R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". The Group recognizes impairment loss on notes receivable, accounts receivable and other receivables when there is an objective evidence of impairment. As a result of this change in accounting principle, the Group's consolidated net income increased by $982,020 and consolidated earnings per share increased by $0.09 (in dollars) for the six-month period ended June 30, 2011.

2) Operating segments

Effective January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." This statement requires identification and disclosure of operating segments based on how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This statement supersedes SFAS No. 20, "Segment Reporting." The Company conformed to the disclosure requirements as of and for the six-month period ended June 30, 2011. The information for the six-month period ended June 30, 2010 has also been restated to reflect the new segment reporting requirement. This accounting change did not have a significant effect on the net income and earnings per common share for the six-month period ended June 30, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	June 30,	
	2010	2011
Cash on hand	$ 6,109,101	$ 9,278,961
Checking accounts	430,137	1,700,093
Savings deposits	37,634,840	56,866,265
Time deposits	200,671,130	223,232,769
	244,845,208	291,078,088
Cash equivalents	4,913,025	5,885,358
	$ 249,758,233	$ 296,963,446

Cash equivalents include the Sweep Fund, 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

	June 30, 2010		
	Book value	Contract amount (Nominal principal) (in thousands)	
Financial assets held for trading			
Open-end funds	$ 15,000		-
Forward exchange contracts	95,270	BRL(BUY)	5,591
		EUR(BUY)	4,102
		JPY(BUY)	451,875
		MXN(BUY)	465,944
		USD(BUY)	119,696
		VND(BUY)	126,452,500
		BRL(SELL)	20,606
		EUR(SELL)	16,500
		INR(SELL)	316,119
		JPY(SELL)	1,700,000
		MXN(SELL)	75,760
		RMB(SELL)	430,126
		USD(SELL)	48,227
	$ 110,270		
Financial liabilities held for trading			
Forward exchange contracts	($ 73,246)	BRL(BUY)	6,144
		EUR(BUY)	2,000
		HUF(BUY)	420,600
		JPY(BUY)	20,425
		MXN(BUY)	25,194
		USD(BUY)	22,008
		BRL(SELL)	16,559
		EUR(SELL)	7,800
		INR(SELL)	258,870
		RMB(SELL)	8,277
		USD(SELL)	6,789
	($ 73,246)		

Financial assets held for trading	June 30, 2011		
	Book value	Contract amount (Nominal principal) (in thousands)	
Open-end funds	$ 14,012		-
Forward exchange contracts	33,923	HUF(BUY)	2,151,660
		RMB(BUY)	656,361
		MXN(BUY)	498,049
		BRL(BUY)	14,678
		USD(BUY)	7,313
		JPY(BUY)	2,898
		EUR(BUY)	362
		USD(SELL)	148,500
		INR(SELL)	25,057
		EUR(SELL)	15,300
	$ 47,935		

Financial liabilities held for trading			
Forward exchange contracts	($ 125,086)	RMB(BUY)	1,176,453
		USD(BUY)	245,253
		MXN(BUY)	70,310
		JPY(BUY)	19,431
		EUR(BUY)	751
		TWD(SELL)	4,011,400
		INR(SELL)	413,149
		USD(SELL)	188,000
		MXN(SELL)	119,564
		BRL(SELL)	99,882
		EUR(SELL)	18,100
	($ 125,086)		

1) For the six-month period ended June 30, 2010, the Group recognized a net loss of $63,023 including unrealized gain of $22,024.

2) For the six-month period ended June 30, 2011, the Group recognized a net loss of $125,016, including unrealized loss of $91,163.

(3)Available-for-sale financial assets

	June 30, 2010	June 30, 2011
Current items:		
Listed stocks	$ 64,230	$ 164,959
Adjustment of available-for-sale financial assets	990,630	693,790
	$ 1,054,860	$ 858,749
Non-current items:		
Listed stocks	$ 4,864,592	$ 4,288,860
Adjustment of available-for-sale financial assets	7,879,140	3,472,250
	$ 12,743,732	$ 7,761,110

The fair value of available-for-sale financial assets decreased by $5,604,570 and $7,963,507 for the six-month periods ended June 30, 2010 and 2011, respectively, and is shown as an adjustment to stockholders' equity as unrealized gain or loss on financial instruments.

(4)Notes and accounts receivable

	June 30, 2010	June 30, 2011
Notes receivable	$ 18,739,262	$ 686,561
Accounts receivable	353,543,220	378,903,753
Less: Allowance for doubtful accounts	(3,206,861)	(1,835,555)
Allowance for sales allowances	-	(1,385,030)
	$ 369,075,621	$ 376,369,729

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 June 30, 2010 and 2011, the relevant information of accounts receivable factored but unsettled were as follows:

June 30, 2010					
Institutions	Interest rate (%)	Accounts receivable sold/ derecognized	Amount advanced	Amount retained	Limit
Mega International Commercial Bank	1.08	$12,164,947	$12,164,947	$ -	$ 16,075,000
Taipei Fubon Bank	1.35	21,058,250	21,058,250	-	32,150,000
Mizuho Corporate Bank	0.86	6,430,000	6,430,000	-	6,430,000
Sumitomo Mitsui Banking Corporation	1.20	4,822,500	4,822,500	-	11,252,500
ING Bank N.V.	1.18	2,250,500	2,250,500	-	6,430,000
Standard Chartered Commercial Bank	1.00	3,858,000	3,858,000	-	3,858,000
		$50,584,197	$50,584,197	$ -	$ 76,195,500

June 30, 2011					
Institutions	Interest rate (%)	Accounts receivable sold/ derecognized	Amount advanced	Amount retained	Limit
Mega International Commercial Bank	0.77~0.88	$13,199,008	$13,199,008	$ -	$ 21,547,500
Taipei Fubon Bank	0.86~1.05	36,217,483	36,217,483	-	41,658,500
Mizuho Corporate Bank	0.64~0.72	6,248,132	6,248,132	-	17,238,000
Sumitomo Mitsui Banking Corporation	0.74	3,245,398	3,245,398	-	10,055,500
ING Bank N.V.	0.7717~0.851	8,891,070	8,891,070	-	14,365,000
		$69,766,350	$69,766,350	$ -	$ 104,864,500

2. For the six-month periods ended June 30, 2010 and 2011, the financing charges (expenses) incurred from accounts receivable factoring were $50,756 and $150,627 (shown as “financing charges”), respectively.

(5)Other receivables

	June 30, 2010	June 30, 2011
Tax refund receivable	$ 22,845,005	$ 22,413,171
Receivable from payments made on behalf of others	1,292,752	1,411,230
Amount retained on accounts receivable sold	1,070,136	1,036,268
Dividends receivable	288,607	696,687
Others	2,699,118	2,496,292
	$ 28,195,618	$ 28,053,648

(6)Inventories

	June 30, 2010	June 30, 2011
Raw materials and supplies	$ 105,767,589	$ 126,444,119
Work in process	53,817,602	72,360,282
Finished goods	81,267,929	110,789,497
Inventory in transit	22,467,833	26,704,882
	263,320,953	336,298,780
Less: Allowance for inventory obsolescence and market price decline	(10,125,389)	(12,720,625)
	$ 253,195,564	$ 323,578,155

Expenses and loss incurred on inventories for the six-month periods ended June 30, 2010 and 2011 were as follows:

	For the six-month periods ended June 30, 2010	For the six-month periods ended June 30, 2011
Cost of inventories sold	$ 1,097,753,063	$ 1,403,443,014
Loss on inventory obsolescence and market price decline	416,458	1,325,259
Others	23,129	353,699
	$ 1,098,192,650	$ 1,405,121,972

(7)Financial assets carried at cost

Name of investee company	June 30, 2010	June 30, 2011
Chi Lin Technology Co., Ltd.	$ -	$ 825,000
Diamondhead Ventures Ltd.	333,692	312,560
Riverwood Capital Partners L.P.	203,541	457,610
Global Strategic Investment Inc.	200,400	200,400
Aptina Acquisition L.P.	169,875	151,805
Wimm. Labs Incorporated	160,750	294,483
Shenzhen Yuto Printing Co., Ltd.	122,802	115,245
Power All Networks	-	172,380
Fuhu Inc.	-	143,650
Innovation Works Limited	-	143,650
Others	957,092	688,036
	$ 2,148,152	$ 3,504,819

1) The Group recognized impairment loss in the amounts of $120,864 and $0 (shown as “impairment loss”) for the six-month periods ended June 30, 2010 and 2011, 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	June 30, 2011 Ownership Percentage (%)	June 30, 2010	June 30, 2011
Foxconn Technology Co., Ltd.	30	$ 14,532,305	$ 15,288,967
Zech Ding Technology Holding Limited (Formerly Foxconn Advanced Technology Limited)	43	5,522,080	5,782,665
Pan International Industrial Corporation	27	3,473,691	3,050,422
G-Tech Optoelectronics Corporation	35	787,619	2,035,720
Simplo Technology Co., Ltd.	9	1,824,044	1,996,902
Mediamarkt (China) International Retail Holding Limited-HK	25	643,000	1,218,754
Multiwin Precision Ind. Co. Ltd.	29	1,114,215	1,216,256
Ways Technical Corp., Ltd.	23	1,148,195	1,143,055
Ampower Holding Limited-Cayman	45	1,187,604	953,947
Uer Holdings Corporation-Cayman	40	395,824	612,991
CyberTAN Technology, Inc.	11	561,498	571,806
Alliance Fiber Optic Products Inc.	20	332,992	316,980
Diabell Co., Ltd.	20	313,193	242,132
Others		1,565,569	1,633,001
		33,401,829	36,063,598
Add: Prepaid long-term investment		33,033	88,332
		$ 33,434,862	$ 36,151,930

1) The consolidated financial statements included investment (loss) income accounted for under the equity method of ($17,696) and $118,871, constituting 0.05% and 0.43% of the consolidated net income for the six-month periods ended June 30, 2010 and 2011, respectively, and the related long-term investments of $11,578,006 and $7,262,443, constituting 0.91% and 0.47% of the consolidated total assets as of June 30, 2010 and 2011, respectively. These amounts were based on the financial statements of the investee companies for the same periods which were not audited or reviewed by independent accountants.

2) The Group recognized impairment loss amounting to $145,846 and $0 (shown as "impairment loss") for the six-month periods ended June 30, 2010 and 2011 on its investments accounted for under the equity method.

(9)Property, plant and equipment

	June 30, 2010		
	Original cost	Accumulated depreciation	Net book value
Land	$ 3,885,454	$ -	$ 3,885,454
Buildings and improvements	115,607,973	(20,986,808)	94,621,165
Machinery	160,765,871	(69,356,995)	91,408,876
Molding equipment	3,150,875	(2,342,506)	808,369
Testing equipment	21,577,499	(13,353,637)	8,223,862
Furniture and fixtures	13,748,520	(8,643,827)	5,104,693
Tooling equipment	3,246,397	(1,550,751)	1,695,646
Miscellaneous equipment	31,477,981	(14,771,243)	16,706,738
Prepayments for equipment and construction in progress	23,354,417	-	23,354,417
	$ 376,814,987	($ 131,005,767)	245,809,220
Less: Accumulated impairment			(3,623,071)
			$ 242,186,149

	June 30, 2011		
	Original cost	Accumulated depreciation	Net book value
Land	$ 4,209,510	$ -	$ 4,209,510
Buildings and improvements	128,888,984	(26,624,498)	102,264,486
Machinery	215,657,984	(84,054,696)	131,603,288
Molding equipment	3,643,244	(3,383,691)	259,553
Testing equipment	25,623,091	(15,996,763)	9,626,328
Furniture and fixtures	14,827,426	(10,019,867)	4,807,559
Tooling equipment	2,905,642	(1,432,399)	1,473,243
Miscellaneous equipment	37,110,624	(17,605,871)	19,504,753
Prepayments for equipment and construction in progress	41,706,959	-	41,706,959
	$ 474,573,464	($ 159,117,785)	315,455,679
Less: Accumulated impairment			(4,749,125)
			$ 310,706,554

The Group recognized impairment loss of $0 and $772,770 (shown as “impairment loss”) for the six-month periods ended June 30, 2010 and 2011, respectively.

(10)Intangible assets

1)Business acquisition

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.

Fair value information of acquired subsidiary is as follows:

	January 1, 2010
Current assets	$ 2,093,844
Property, plant and equipment	2,189,168
Other assets	15,048
Current liabilities	(203,784)
Other liabilities	(210,963)
Total purchase price	3,883,313
Less: Minority interest	(47,712)
Cash of subsidiary	(67,600)
Net assets of acquired subsidiary (less cash received)	$ 3,768,001

2) Goodwill

	For the six-month periods ended June 30,	
	2010	2011
Net book value, January 1	$ 1,317,381	$ 215,474
Impairment loss	(1,098,808)	-
Cumulative translation adjustments	(3,099)	-
Net book value, June 30	$ 215,474	$ 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 $1,098,808 and $0 (shown as "impairment loss") for the six-month periods ended June 30, 2010 and 2011, 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, as appraised by the Company and experts. The changes in the intangible assets – customer relationship for the six-month periods ended June 30, 2010 and 2011, respectively, are set forth below:

	For the six-month periods ended June 30,	
	2010	2011
Net book value, January 1	$ 476,011	$ 139,824
Amortization in current year	(160,776)	(139,824)
Cumulative translation adjustments	(1,121)	-
Net book value, June 30	$ 316,356	$ -

(11)Other assets

	June 30,	
	2010	2011
Land use rights	$ 21,030,475	$ 17,596,471
Others	5,543,670	5,814,877
	$ 26,574,145	$ 23,411,348

For the six-month periods ended June 30, 2010 and 2011, the land use rights were as follows:

	For the six-month periods ended June 30,	
	2010	2011
Net book value, January 1	$ 21,088,073	$ 20,268,938
Increase in current year	142,193	147,097
Disposal in current year	-	(1,788,666)
Amortization in current year	(219,678)	(216,075)
Cumulative translation adjustments	19,887	(814,823)
Net book value, June 30	$ 21,030,475	$ 17,596,471

(12)Short-term loans

	June 30,	
	2010	2011
Credit loans	$ 170,733,532	$ 202,246,580
Secured loans	696,937	110,954,319
	$ 171,430,469	$ 313,200,899
Interest rates per annum	0.32%~6.83%	0.549%~3.747%

(13)Short-term notes and bills

	June 30,	
	2010	2011
Commercial paper	$ -	$ 1,000,000
Less: unamortized discount	-	(1,059)
	$ -	$ 998,941
Interest rate per annum	-	0.908%

(14)Accrued expenses

	June 30, 2010	June 30, 2011
Awards and salaries payable	$ 14,719,728	$ 20,620,095
Royalty fees payable	6,197,670	12,048,170
Welfare fees payable	2,391,179	6,486,789
Business Tax (VAT) payable	3,756,244	3,634,040
Fees payable for tooling	1,731,712	2,038,365
Consumption goods expense payable	1,382,515	2,034,862
Tax payable (excluding VAT)	1,463,152	1,881,901
Employees' bonuses payable	2,501,042	1,828,267
Shipping fees payable	2,830,050	1,741,426
Interest payable	708,641	868,085
Others	12,950,993	7,914,133
	$ 50,632,926	$ 61,096,133

(15)Income tax

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

	June 30, 2010	June 30, 2011
Income tax expense	$ 8,926,218	$ 10,486,289
Changes in deferred income tax	786,441	1,730,874
Less: Prepaid income tax and income tax withheld	(676,727)	(3,075,005)
Over provision of prior years' income tax	610,388	1,492,983
Add: Income tax payable for prior years	3,165,232	1,650,255
Income tax payable	$ 12,811,552	$ 12,285,396

2) As of June 30, 2010 and 2011, the deferred income tax assets and liabilities were as follows:

	June 30, 2010	June 30, 2011
Deferred income tax assets	$ 3,631,617	$ 7,360,486
Deferred income tax liabilities	($ 4,939,289)	($ 4,449,368)

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

	June 30,			
	2010		2011	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Allowance for sales allowances	$ -	$ -	$ 1,385,030	$ 235,455
Reserve for inventory obsolescence and market price decline	5,290,360	1,054,560	7,607,082	1,293,204
Unrealized exchange gains	(2,661,952)	(450,175)	(4,096,684)	(696,436)
Product warranty	8,748,191	1,537,256	16,093,429	2,735,883
Allowance for doubtful accounts	729,941	125,518	-	-
Others	(143,985)	59,992	11,494,406	1,954,049
	$11,962,555	2,327,151	$32,483,263	5,522,155
Non-current items:				
Reserve for pension cost	$ 838,832	142,601	$ 863,785	146,843
Foreign investment income accounted for under the equity method	(26,358,845)	(4,489,114)	(22,076,072)	(3,752,932)
Others	2,846,764	711,690	5,853,247	995,052
	($22,673,249)	(3,634,823)	($15,359,040)	(2,611,037)
		($ 1,307,672)		$ 2,911,118

4) As of June 30, 2011, the Company's and Premier's income tax returns have been approved by the R.O.C. Tax Authority through 2009 and 2006, respectively.

(16) Bonds payable

	June 30, 2010	June 30, 2011
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	-	(1,608,374)
Exchange loss	-	(2,391,253)
	12,039,400	39,290,773
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
First debenture issue of 2011	-	6,000,000
Second debenture issue of 2011	-	7,050,000
	35,539,400	75,840,773
Less: Current portion	(6,000,000)	(17,219,400)
Bonds payable – long-term	$ 29,539,400	$ 58,621,373

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 June 30, 2011, the convertible bonds have not been converted. The conversion price was adjusted to $146.08 (in dollars) per share as a result of the resolution approved at the stockholders' meeting in 2011.

C. Under the terms of the convertible bonds, all the 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 bonds totaling $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 method. Since November 10, 2009, the bonds 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 June 30, 2011, the convertible bonds have not been converted. The conversion price was adjusted to $137.344 (in dollars) per share as a result of the resolution approved at the stockholders’ meeting in 2011 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 bonds 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 June 30, 2011, 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.

7) First debenture issue of 2011

On January 7, 2011, 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
March 2011	5 years	$ 6,000,000	1.47%	Pay half of principal each in the fourth and fifth year. Interest is paid annually at simple interest rate.

8) Second debenture issue of 2011

On June 1, 2011, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of $7,050,000. The terms of these domestic unsecured bonds are summarized as follows.

Type of bonds	Issuance date	Period	Amount	Normal interest rate	Payment term
Bond A	June 2011	5 years	$ 3,000,000	1.43%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	June 2011	7 years	$ 2,650,000	1.66%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	June 2011	10 years	$ 1,400,000	1.82%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(17) Long-term loans

Institution	Loan period	June 30, 2010	Limit
Mizuho Corporate Bank Ltd., etc. syndicated loan	2008/8/21~2011/8/21	$ 17,200,250	(USD 535,000,000)
〃	2008/9/11~2013/9/11	16,075,000	(USD 500,000,000)
		$ 33,275,250	
Interest rate		0.7472%~0.7972%	

Institution	Loan period	June 30, 2011	Limit
Mizuho Corporate Bank Ltd., etc. syndicated loan	2008/8/21~2011/8/21	$ 3,734,900	(USD 130,000,000)
〃	2008/8/21~2013/8/21	11,635,650	(USD 405,000,000)
〃	2008/9/11~2013/9/11	14,365,000	(USD 500,000,000)
〃	2011/3/31~2014/3/31	10,552,141	(JPY 51,000,000,000)
ING Bank, N.V. etc. syndicated loan	2010/10/22~2015/10/22	6,036,350	(EUR 145,000,000)
〃	〃	6,067,572	(EUR 265,000,000)
		52,391,613	
Less: Current portion		(3,734,900)	
		$ 48,656,713	
Interest rate		0.5858%~1.756%	

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) 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 JPY51 billion.
3) Foxconn Slovakia, SPOL. S R.O., a subsidiary of the Company entered into a syndicated credit facility agreement with ING Bank N.V. as the lead bank and obtained a credit line in the amount of EUR410 million. The Company is the guarantor of the loan.
4) The Mizuho Corporate Bank Ltd., etc. syndicated loan amounting to US$130 million had been reclassified to “Current liabilities” in the fourth quarter of 2010. The remaining portion of the loan due over twelve months was recognized as long-term loan.
5) 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 has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. The Company contributes monthly 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. The pension expenses under the defined benefit plan amounted to $29,795 and $29,900 for the six-month periods ended June 30, 2010 and 2011, respectively. The balance of the fund which is deposited with Bank of Taiwan was $583,664 and $620,328 as of June 30, 2010 and 2011, respectively.
2) 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 the employees’ monthly salaries and wages to the employees’ personal pension accounts with the Bureau of Labor Insurance. The pension expenses under this plan amounted to

$129,160 and $148,526 for the six-month periods ended June 30, 2010 and 2011, respectively.

3) The subsidiaries in mainland China 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.

4) As of June 30, 2010 and 2011, the subsidiaries which participated in defined contribution pension plans recognized reserve according to the respective local laws for retirement plan in the amount of $227,272 and $188,980, respectively. Pension expenses in the amount of $2,319,732 and $3,724,966 were recognized for the six-month periods ended June 30, 2010 and 2011, respectively.

(19)Capital stock

1) As of June 30, 2011, the Company's authorized shares were 9,300,000 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, 2011, the Company's shareholders adopted a resolution to increase the authorized shares to 12,230,000 thousand shares and approved employees' stock bonus amounting to $5,449,328 for 2010. The employee stock bonus of 61,724 thousand shares was determined based on the closing price of $90 (in dollars) on June 7, 2011, the previous day of the 2011 shareholders' meeting after taking into account the effects of ex-rights and ex-dividends. In addition, the Company's shareholders adopted a resolution to issue stock dividends at par value amounting to $9,661,248. Pursuant to approval by the SFC on June 20, 2011, the capital increase was effective on August 6, 2011. The amounts to be distributed were accounted for as "stock dividends distributable" temporarily.

3) 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 June 30, 2011, 148,389,000 units of GDRs were outstanding, which represents 296,777 thousand shares of common stock.

(20) Share-based payment - employee compensation plan

As of June 30, 2010 and 2011, 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	-	-
〃	April 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 six-month periods ended June 30, 2010 and 2011, the weighted-average exercise price of employee stock options outstanding were US$1.23 and US$0 (in dollars) per share, respectively, and expenses incurred on employee stock options transactions were $81,760 (US$2,563 thousand) and $22,936 (US$789 thousand), respectively. Details of the employee stock options are set forth below:

Employee Stock Options (In shares)	For the six-month periods ended June 30, 2010	2011
Options outstanding at beginning of year	264,831,013	227,459,105
Options exercised	(33,901,600)	-
Options revoked	(2,034,880)	(7,566,698)
Options outstanding at end of period	228,894,533	219,892,407
Options exercisable at end of period	116,379,653	165,558,167

2) Share appreciation rights

There is no stock appreciation rights outstanding as of June 30, 2011. For the six-month period ended June 30, 2010, the range of exercise price of stock appreciation rights outstanding was HK$17.86～HK$25.65. As of June 30, 2010, the liability on stock appreciation rights was $5,851 (US$ 182 thousand) (shown as "Accrued expenses"). For the six-month period ended June 30, 2010, expenses incurred on stock appreciation rights transactions amounted to $271 (US$ 9 thousand).

3) Other share-based payment plans

These share-based payments were granted to employees. For the six-month periods ended June 30, 2010 and 2011, expenses incurred on other share-based payments were $283,683 (US$8,893 thousand) and $56,832 (US$1,955 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:

	June 30,			
	2010		2011	
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		191,629,294		241,745,894
Not subjected to additional 10% corporate income tax		34,738,417		27,384,194
	$	228,531,220	$	271,293,597

3) The details of imputation system were as follows:

	June 30, 2010	June 30, 2011
Balance of stockholders deductible tax account	$ 30,812,866	$ 37,448,661

	December 31, 2010 (Actual)	June 30, 2011 (Estimated)
Tax deductible rate of earnings distribution	13.93%	16.66%

4) The appropriation of 2009 and 2010 earnings had been resolved at the stockholders' meeting on June 8, 2010 and June 8, 2011, respectively. Details are summarized below:

	2009		2010	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 7,568,511	$ -	$ 7,715,455	$ -
Stock dividends	10,294,718	1.2	9,661,248	1.0
Cash dividends	17,157,864	2.0	9,661,248	1.0
	$35,021,093	$ 3.2	$ 27,037,951	$ 2.0

The earnings distribution information is posted on the "Market Observation Post System" at the website of the TSEC.

5) The estimated amounts of employees' bonus and directors' and supervisors' remuneration are $5,449,328 and $0 for 2009, respectively, and $5,555,128 and $0 for 2010, respectively, based on a certain percentage (8% and 0%) of net income, is recognized as operating costs and expenses in current 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 amounting to $5,555,128 for 61,724 thousand shares was determined based on the closing price of the Company's common stock, $90 (in dollars), on June 7, 2011, the previous day of the 2011 shareholders' meeting after taking into account the effects of ex-rights and ex-dividends. For the six-month period ended June 30, 2011, the estimated employees' bonus amounted to $1,828,267.

(23) Earnings per common share

	For the six-month period ended June 30, 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	$42,501,092	$33,574,874	10,626,189	$ 4.00	$ 3.16
Minority interest	1,037,501	1,163,543		0.10	0.11
Net income attributable to equity holders of the Company	$43,538,593	$34,738,417		$ 4.10	$ 3.27
Diluted earnings per share:					
Consolidated net income	$42,501,092	$33,574,874		$ 3.96	$ 3.13
Minority interest	1,037,501	1,163,543		0.10	0.11
Dilutive effect of stock equivalents:					
Convertible bonds	-	-	82,416	-	-
Employees' bonus-2010	-	-	24,572	-	-
Net income attributable to equity holders of the Company	$43,538,593	$34,738,417	10,733,177	$ 4.06	$ 3.24

	For the six-month period ended June 30, 2011				
	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	$37,821,718	$27,335,429	10,634,032	$ 3.56	$ 2.57
Minority interest	(125,253)	48,765		(0.02)	0.01
Net income attributable to equity holders of the Company	$37,696,465	$27,384,194		$ 3.54	$ 2.58
Diluted earnings per share:					
Consolidated net income	$37,821,718	$27,335,429		$ 3.45	$ 2.49
Minority interest	(125,253)	48,765		(0.01)	-
Dilutive effect of stock equivalents:					
Convertible bonds-overseas	315,775	262,094	227,538	0.03	0.03
Convertible bonds-domestic	-	-	82,416	-	-
Employees' bonus-2011	-	-	12,969	-	-
Net income attributable to equity holders of the Company	$38,012,240	$27,646,288	10,956,955	$ 3.47	$ 2.52

1) 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.

2) The number of shares had retroactively been adjusted by the stock dividends as of June 30, 2011.

(24)Personnel, depreciation and amortization expenses

	For the six-month periods ended June 30,	
	2010	2011
Cost of sales		
Personnel expenses		
Salaries	$ 29,674,959	$ 56,012,115
Labor and health insurances	1,144,523	2,612,089
Pension	1,486,989	2,976,119
Others	589,425	1,109,855
	$ 32,895,896	$ 62,710,178
Depreciation	$ 12,333,306	$ 15,359,660
Amortization	$ 1,227,745	$ 1,250,807
Operating expenses		
Personnel expenses		
Salaries	$ 23,336,739	$ 25,295,564
Labor and health insurances	1,149,183	1,236,901
Pension	991,698	983,999
Others	357,299	501,220
	$ 25,834,919	$ 28,017,684
Depreciation	$ 4,723,695	$ 4,403,912
Amortization	$ 908,247	$ 1,106,383

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)	"
Zech Ding Technology Holding Limited (Formerly Foxconn Advanced Technology, Ltd.-Cayman) (ZDT-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 six-month periods ended June 30, 2010 and 2011.

2) Significant transactions and balances with related parties

A. Sales

	For the six-month periods ended June 30,			
	2010	%	2011	%
FTCS	$ 40,619,555	4	$ 38,300,483	3
Chimei Innolux	3,629,297	-	7,432,445	-
CyberTAN	2,470,690	-	3,727,222	-
Others	1,044,483	-	1,062,973	-
	$ 47,764,025	4	$ 50,523,123	3

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 six-month periods ended June 30,			
	2010	%	2011	%
FTCS	$ 9,481,236	1	$ 36,892,025	3
ZDT-Cayman	8,661,128	1	11,456,803	1
Chimei Innolux	5,745,278	1	7,145,068	-
PIICS	2,966,144	-	2,637,325	-
Others	2,265,329	-	1,796,957	-
	$ 29,119,115	3	$ 59,928,178	4

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

	June 30,			
	2010	%	2011	%
FTCS	$ 10,857,768	3	$ 4,686,408	2
Chimei Innolux	4,650,602	1	3,606,850	1
CyberTAN	1,582,830	1	1,750,920	2
Others	521,205	-	1,277,238	-
	17,612,405	5	11,321,416	5
Less: Allowance for doubtful accounts	(120,532)		-	
	$ 17,491,873		$ 11,321,416	

D. Prepayment

	June 30,	
	2010	2011
Others	$ 125,391	$ 116,610

E. Other receivables

The Group purchased materials on behalf of FTCS and Chimei Innolux, etc. As of June 30, 2010 and 2011, other receivables amounted to $1,070,136 and $1,036,268, respectively.

F. Accounts payable - related parties

	June 30,			
	2010	%	2011	%
FTCS	$ 11,350,725	3	$ 9,555,177	2
ZDT-Cayman	4,684,355	1	5,635,331	1
Chimei Innolux	2,505,329	1	3,410,157	1
PIICS	1,935,066	-	1,506,285	-
Others	629,302	-	981,946	-
	$ 21,104,777	5	$ 21,088,896	4

As of June 30, 2010 and 2011, a portion of accounts payable to FTCS in the amount of $4,715,890 and $2,235,337, respectively, pertains to purchases of materials made by FTCS on behalf of the Group.

G. Property transactions

For the six-month period ended June 30, 2010				
Counterparty	Transaction	Sales / purchase price	Gain on disposal	Receivables / (payables) at June 30, 2010
FTCS, Chimei Innolux, ZDT-Cayman, and FITI	Sale of fixed assets	$ 208,349	$ -	$ 36,958
FTCS, Chimei Innolux, CyberTAN, and PIICS	Acquisition of fixed assets	40,259	-	(11,907)

For the six-month period ended June 30, 2011				
Counterparty	Transaction	Sales / purchase price	Gain on disposal	Receivables / (payables) at June 30, 2011
FTCS, Chimei Innolux, ZDT-Cayman, FITI	Sale of fixed assets	$ 260,705	$ 1,518	$ 285,696
FTCS, Chimei Innolux, CyberTAN, and PIICS	Acquisition of fixed assets	227,419	-	(98,600)

H. Guarantees

Endorsements and guarantees provided for the related parties as of June 30, 2010 and 2011 are as follows:

	June 30, 2010	June 30, 2011
Foxconn (Far East) Ltd.	$ 33,301,125	$ 29,911,500
	(USD1,035,000 thousand)	(USD1,035,000 thousand)
Foxconn Slovakia SPOL. S R.O.	$ -	$ 29,487,862
	-	(EUR 710,000 thousand)

6.PLEDGED ASSETS

Aside from the guarantees mentioned on Note 5. 2) H, as of June 30, 2010 and 2011, the assets pledged as collateral were as follows:

		June 30,	
		2010	2011
Assets	Nature	Book value	Book value
Time deposits and cash (shown as other financial assets non-current)	Bond deposit as security for court proceedings, security deposit for employment of foreign employees, customs deposits and short-term loans	$ 23,481,870	$ 99,952,874
Accounts receivable	Short-term loans	546,013	-
Fixed assets	Short-term loans		
-Buildings		91,026	94,962
		$ 24,118,909	$ 100,047,836

7. COMMITMENTS AND CONTINGENT LIABILITIES

In addition to the guarantees mentioned on Note 5. 2) H, as of June 30, 2011, 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 $33,331 million. As of June 30, 2011, the unpaid balance on these contracts amounted to $16,638 million.
2) As of June 30, 2011, the Company’s subsidiaries’ future minimum lease payments for factories and employees' dormitory were approximately $2,167 million as follows:

Year	Amount
2012	$ 455,855
2013	447,814
2014	369,908
2015	288,772
2016 and thereafter	604,989
	$ 2,167,338

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) The subsidiary, Syntrend Creative Park Co. Ltd., entered into a “Private Participation in Construction and Operation of Taipei Information Park and Parking Lots” contract with Taipei City Government, whereby the subsidiary shall pay royalty amounting to $1 billion for the contract. As of June 30, 2011, the subsidiary had paid $500 million (shown as “prepayments”), and the unpaid balance shall be paid in accordance with the contract time schedule.
5) 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. Mondis Technology Ltd.

had made an out-of-court settlement with the Company on June 25, 2011 and an insignificant compensation has been paid. Thus, all proceedings of the lawsuit had been closed.

6) 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 announced that the Company was not involved in patent infringement for this case, and the litigation proceeding has been terminated.

8. SIGNIFICANT CATASTROPHE

On May 20, 2011, the Group’s plant in Chengdu was set on fire due to explosion. Any losses caused by this explosion can be compensated by the accident insurance. This incident had no significant effect on the Company‘s operations and finances.

9. SUBSEQUENT EVENTS

1) On July 18, 2011, the Company resolved to issue 2011 3rd domestic unsecured bonds in the amount of $4,959,000. The coupon rate of the bonds is 1.51%. These bonds cover a period of five years.

2) PCE Paragon Solutions kft., a subsidiary of the Company, signed a share purchase agreement with Scientific-Atlanta, LLC, a subsidiary of Cisco System, Inc., whereby PCE Paragon Solutions kft. will obtain 100% shares of Scientific-Atlanta Holdings BV (the Dutch subsidiary of Scientific-Atlanta, LLC) and Scientific-Atlanta de Mexico S. de RL de CV (the Mexico subsidiary of Scientific-Atlanta Holdings BV). This transaction is expected to be completed by October, 2011.

10. OTHERS

1) Financial statement presentation:

Certain accounts in the June 30, 2010 consolidated financial statements were reclassified to conform with the June 30, 2011 consolidated financial statement presentation.

2) Fair value of financial instruments

	June 30, 2010			
		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	$664,521,345	$ -	$664,521,345	A
Open-end funds	15,000	15,000	-	B
Available-for-sale financial assets	13,798,592	13,798,592	-	C
Financial assets carried at cost - non-current	2,148,152	-	-	D
Refundable deposits	1,082,385	-	1,053,929	E
Liabilities:				
Financial liabilities with fair values equal to book values	694,251,789	-	694,251,789	A
Long-term bonds payable	29,539,400	-	28,758,807	F
<u>Derivative financial instruments</u>				
Assets:				
Futures contracts	-	-	-	G
Forward exchange contracts	95,270	-	95,270	G
Liabilities:				
Forward exchange contracts	73,246	-	73,246	G
<u>Off-balance sheet financial instruments</u>				
Guarantees	33,301,125 (US$1,035,000 thousand)	-	33,301,125 (US$1,035,000 thousand)	H

Non-derivative financial instruments	June 30, 2011 Book value	Fair value: Quotation in an active market	Fair value: Estimated using a valuation technique	Note
Assets:				
Financial assets with fair values equal to book values	$712,708,239	$ -	$712,708,239	A
Open-end funds	14,012	14,012	-	B
Available-for-sale financial assets	8,619,859	8,619,859	-	C
Financial assets carried at cost - non-current	3,504,819	-	-	D
Refundable deposits	2,079,618	-	2,051,512	E
Liabilities:				
Financial liabilities with fair values equal to book values	885,845,964	-	885,845,964	A
Long-term bonds payable	58,621,373	-	45,819,278	F
Derivative financial instruments				
Assets:				
Forward exchange contracts	33,923	-	33,923	G
Liabilities:				
Forward exchange contracts	125,086	-	125,086	G
Off-balance sheet financial instruments				
Guarantees-USD	29,911,500 (US$1,035,000 thousand)	-	29,911,500 (US$1,035,000 thousand)	H
Guarantees-EUR	29,487,862 (EUR$ 710,000 thousand)	-	29,487,862 (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 June 30, 2010 and 2011.

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 June 30, 2010 and 2011.

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 June 30, 2010 and 2011.

F. The fair value of convertible bonds issued after January 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.

3) <u>Credit risk of off-balance sheet financial instruments</u>

Please see Note 5. 2) H.

4) <u>Financial risk control</u>

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.

5) 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)

	June 30,			
	2010		2011	
	Foreign currency amount (In thousands)	Exchange rate	Foreign currency amount (In thousands)	Exchange rate
Financial Assets				
Monetary item				
USD : NTD	$ 10,037,636	32.15	$ 10,889,442	28.73
USD : RMB	3,547,321	6.7797	6,578,734	6.4641
YEN : RMB	24,377,332	0.0766	376,322	0.0802
YEN : NTD	13,160,405	0.3628	11,425,463	0.3628
Net effect in consolidated entities with foreign currency				
USD : NTD	10,871,322	32.15	14,305,583	28.73
EUR : NTD	31,298	39.3200	214,969	41.6298
HKD : NTD	36,532	4.1300	43,213	3.6910
Financial Liabilities				
Monetary item				
USD : RMB	11,401,277	6.7797	17,044,770	6.4641
USD : NTD	7,021,800	32.15	10,749,742	28.73
YEN : NTD	830,805	0.3628	47,081,860	0.3573
YEN : RMB	25,759,484	0.0766	14,348,774	0.0802
YEN : USD	14,300,381	0.0113	15,911,143	0.0124

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 totaling $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 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.

iii. Although the Company's long-term loans bear short-term-floating-rate interest, current short-term interest rate is much lower than long-term interest rate and is not possible to rise greatly in the near future, thus, the Company expects no significant cash flow risk would arise.

(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.

6) 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 June 30, 2011.

11. OPERATING SEGMENTS INFORMATION

1) The Group has adopted eCMMS (E-enabled Components, Modules, Moves & Services) strategy, and provided a one-stop shop to its customers, which are primarily in the 3C industries, with a total solution for design, development, engineering, procurement, manufacturing, logistics and after-sales service. The Group segregates operating segments from both a customer service and product perspective.

In accordance with R.O.C. SFAS No. 41, "Operating Segments", the Group has determined the operating segments and reportable operating segments. Operating segments which have met certain quantitative threshold are disclosed individually or aggregately as reportable operating segments; other segments which have not met the quantitative threshold are included in the 'all other segments'. The Group has identified the electronic manufacturing integrated services department, which provides global 3C production-related one-stop services, to be a reportable operating segment.

The chief operating decision maker assesses performance and allocates resources of the operating segments based on each operating segment's revenue and operating income after adjusting the internal costs and allocated expenses. Except that recognition of internal costs shall be in accordance with the Group's related internal calculation basis, operating segment's accounting policies are the same as disclosed in Note 2.

2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	June 30,	
	2010	2011
Net external revenue	$ 1,147,904,837	$ 1,438,498,293
Revenue from internal customers	88,724,468	128,035,645
Segment revenue	$ 1,236,629,305	$ 1,566,533,938
Segment income	$ 35,380,468	$ 38,186,770
Segment assets (Note)	$ -	$ -

Note: The chief operating decision maker does not use the amount of the assets as a measurement indicator; therefore, the amount of the Group's assets shall be disclosed as $0.

3) Reconciliation information of segment income, asset, and liability

The reconciliations of pre-tax income between reportable segments and continuing operation were as follows:

Operating revenue	June 30, 2010	June 30, 2011
Total reported segment revenue	$1,236,629,305	$1,566,533,938
Other operating segment revenue	25,687,996	32,548,890
Elimination of intersegment revenue	(63,958,362)	(83,886,177)
Total corporate revenue	$1,198,358,939	$1,515,196,651

Profit and loss	June 30, 2010	June 30, 2011
Income of reported segment	$ 35,380,468	$ 38,186,770
Income of other operating segments	7,473,587	1,508,453
Elimination of intersegment transactions and internal costs and allocated expenses adjustments	(352,963)	(1,873,505)
Income before income tax	$ 42,501,092	$ 37,821,718