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

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Foxconn International Holdings Limited

富士康國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

CONNECTED TRANSACTION
SUBSCRIPTION OF THE SUBSCRIPTION SHARES BY MR. CHIH

Independent financial adviser
to the Independent Board Committee and the Shareholders

 ERNST & YOUNG

Ernst & Young Corporate Finance Limited

A letter from the Board is set out on pages 3 to 6 of this circular.

A letter from the Independent Board Committee is set out on page 7 of this circular.

A letter from EYCFL, the independent financial adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 8 to 14 of this circular.

24 August 2005

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CMCS”	Chi Mei Communications Systems, Inc., a company incorporated in Taiwan and currently a 69.23%-owned subsidiary of the Company
“Company”	Foxconn International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 2038)
“connected person”	has the meaning given to it by the Listing Rules
“Directors”	the directors of the Company
“EYCFLL”	Ernst & Young Corporate Finance Limited, a licensed corporation to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities for the purposes of the SFO and the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Subscription
“Foxconn Far East”	Foxconn (Far East) Limited, a limited liability company incorporated on 25 January 1996 in the Cayman Islands and a controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, namely, Mr. Lau Siu Ki and Mr. Edward Fredrick Pensel and Mr. Mao Yu Lang, formed to advise the Shareholders in respect of the Subscription
“Latest Practicable Date”	18 August 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chih”	Calvin Chih, a director of CMCS and therefore a connected person of the Company
“PRC”	The People’s Republic of China
“Sale and Purchase Agreements”	the sale and purchase agreements all dated 3 August 2005 in respect of the acquisition by Transworld of an aggregate of 19,118,000 shares of CMCS (representing 12.75% of its total issued share capital)
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.04 each in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	The subscription for the Subscription Shares subject to and upon the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the Subscription Agreement dated 3 August 2005 and entered into between the Company and Mr. Chih in respect of the Subscription
“Subscription Shares”	a total of 2,829,000 new Shares
“Transworld”	Transworld Holdings Limited, an indirect wholly-owned subsidiary of the Company incorporated in Samoa

LETTER FROM THE BOARD



Foxconn International Holdings Limited

富士康國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

Executive Directors:

CHIN Wai Leung, Samuel

(Chairman and Chief Executive Officer)

DAI Feng Shuh *(Chief Operating Officer)*

Non-executive Directors:

CHANG Ban Ja, Jimmy

GOU Hsiao Ling

LEE Jin Ming

LU Fang Ming

Independent non-executive Directors:

LAU Siu Ki

Edward Fredrick PENSEL

MAO Yu Lang

Registered Office:

Scotia Centre, 4th Floor

P.O. Box 2804, George Town

Grand Cayman

Cayman Islands

Principal Place of Business

in Hong Kong:

Room 25-27, 6th Floor

Hi Tech Centre

9 Choi Yuen Road

Sheung Shui, New Territories

Hong Kong

24 August 2005

Dear Shareholder(s),

CONNECTED TRANSACTION SUBSCRIPTION OF THE SUBSCRIPTION SHARES BY MR. CHIH

INTRODUCTION

By way of announcement dated 4 August 2005, the Company announced that the Subscription Agreement was entered into between the Company and Mr. Chih, pursuant to which Mr. Chih had agreed to subscribe for and the Company had agreed to allot and issue 2,829,000 Subscription Shares in cash at a subscription price of HK\$5.065 per Subscription Share, subject to the terms and conditions contained therein.

The Subscription constitutes a connected transaction of the Company under the Listing Rules. The purpose of this circular is to provide you with further information in relation to the Subscription.

* for identification only

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

Date: 3 August 2005

Parties: (1) The Company
(2) Mr. Chih

Subscription Shares: 2,829,000 new Shares, which represent approximately 0.04% of the issued share capital of the Company both as at the Latest Practicable Date and as enlarged by the allotment and issue of the Subscription Shares.

Conditions: The Subscription is conditional upon the following conditions (which cannot be waived) having been fulfilled on or before 31 August 2005 (or such other date and time as may be agreed between the Company and Mr. Chih in writing):

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares; and
- (b) the Sale and Purchase Agreements becoming unconditional and having been completed.

Consideration: HK\$5.065 per Subscription Share, which represents:

- (i) a discount of approximately 17.64% to the closing price of HK\$6.15 per Share as quoted on the Stock Exchange on 3 August 2005, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 19.98% to the average closing price of approximately HK\$6.33 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 2 August 2005, being the last trading day before the date of the Subscription Agreement.

The subscription price was arrived at after arm's length negotiations between the Company and the Mr. Chih with a view to motivating Mr. Chih to strive for the future development of CMCS, an indirect subsidiary of the Company. The Directors consider that the subscription price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

Completion: Completion of the Subscription has taken place on 19 August 2005 after fulfilment of the conditions of the Subscription.

Ranking: The Subscription Shares rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

Mandate to issue the Subscription Shares:	The Subscription Shares were issued under the general mandate to allot, issue and deal with the Shares granted to the Directors at the annual general meeting of the Company held on 8 June 2005.
Net price to the Company of each Subscription Share:	About HK\$5.0576 per Subscription Share, being the net price to the Company of each Subscription Share after deduction of all expenses incurred by the Company in relation to the Subscription.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is a leading vertically integrated manufacturing services provider for the handset industry worldwide. It provides a full range of manufacturing services to its customers in connection with the production of handsets.

Mr. Chih is a director of CMCS, an indirect subsidiary of the Company. By entering into the Subscription Agreement, Mr. Chih can be motivated to strive for the future development of CMCS and the Group.

CONNECTED TRANSACTION

Mr. Chih is a director of CMCS and thus a connected person of the Company. The Subscription therefore constitutes a connected transaction of the Company. Under Rule 14A.17 of the Listing Rules, Mr. Chih's Subscription is subject to the disclosure and independent shareholders' approval requirements.

The Company has obtained written approval for Mr. Chih's Subscription under Rule 14A.43 of the Listing Rules from Foxconn Far East, which held 73.36% of the voting shares of the Company as at the Latest Practicable Date and has no material interest in Mr. Chih's Subscription.

No shareholder of the Company is required to abstain from voting on Mr. Chih's Subscription if the Company were to convene a general meeting to approve the Subscription. The Stock Exchange has granted a waiver from strict compliance with the Listing Rules regarding the holding of a physical shareholders' meeting for the approval of Mr. Chih's Subscription pursuant to Rule 14A.43 of the Listing Rules.

RECOMMENDATION

The Independent Board Committee has been appointed to advise the Shareholders in respect of the Subscription. EYCFL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders on the Subscription. The letter to the Shareholders from the Independent Board Committee containing its advice and recommendations is set out on page 7 of this circular. Having regard to the opinion of EYCFL, the letter of advice of which is set out on pages 8 to 14 of this circular, the Independent Board Committee is of the opinion that the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders are concerned and that the Subscription is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Chin Wai Leung, Samuel
Chairman and Chief Executive Officer



Foxconn International Holdings Limited

富士康國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

24 August 2005

Dear Shareholder(s),

CONNECTED TRANSACTION

SUBSCRIPTION OF THE SUBSCRIPTION SHARES BY MR. CHIH

We refer to the circular dated 24 August 2005 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Subscription Agreement and to advise the Shareholders whether, in our opinion, the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole. EYCFL has been appointed as the independent financial adviser to advise us and the Shareholders in respect of the terms of the Subscription Agreement and the Subscription.

We wish to draw your attention to the letter from the Board set out on pages 3 to 6 of the Circular which contains, inter alia, information about the Subscription Agreement and the Subscription, and the letter of advice from EYCFL set out on pages 8 to 14 of the Circular which contains its advice in respect of the terms of the Subscription Agreement and the Subscription.

Having taken into account the advice of EYCFL, we consider that the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders are concerned and that the Subscription is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,

Independent Board Committee

LAU Siu Ki

Edward Fredrick PENSEL

MAO Yu Lang

Independent non-executive Directors

* for identification only



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國際金融中心2期12樓
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傳真：(852) 2501 0343

24 August 2005

*The Independent Board Committee and
the independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION SUBSCRIPTION OF THE SUBSCRIPTION SHARES BY MR. CHIH

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the independent Shareholders with respect to the Subscription, details of which are set out in the circular of the Company dated 24 August 2005 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 3 August 2005, the Company entered into subscription agreements (the “Subscription Agreements”) with 282 employees of CMCS (the “Subscribers”), pursuant to which the Subscribers had agreed to subscribe for and the Company had agreed to allot and issue an aggregate of 26,915,000 new Shares at a subscription price of HK\$5.065 per Share. Mr. Chih is one of the Subscribers and is a director and the Chief Executive Officer of CMCS, a then 56.48% owned subsidiary of the Company. Mr. Chih is a connected person of the Company and thus the Subscription constitutes a connected transaction for the Company and is subject to, among other things, the independent shareholders’ approval requirement under Rule 14A.17 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lau Siu Ki, Mr. Edward Fredrick Pensel and Mr. Mao Yu Lang, has been established to advise the independent Shareholders in respect of the Subscription. Foxconn Far East, the controlling shareholder of the Company holding an approximately 73.36% interest in the Company has approved the Subscription in writing on 9 August 2005. We understand from the Company that it has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with the Listing Rules regarding the holding of a general meeting to approve the Subscription. As such, no general meeting will be held by the Company in respect of the Subscription.

As the independent financial adviser to the Independent Board Committee and the independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders are concerned and whether the Subscription is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have relied upon the information, facts and representations contained in the announcement of the Company dated 4 August 2005 (the “Announcement”) and the Circular and those supplied or made by the Directors and management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the Directors and management of the Company that no material facts have been withheld or omitted from such information and representations.

We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of the information or any independent in-depth investigation into the business, affairs, financial position or prospect of the Group, CMCS or Mr. Chih nor have we carried out any in-depth research on the Group or Mr. Chih or the current state or likely prospects of the industries in which the Group and CMCS operate.

PRINCIPAL REASONS AND FACTORS

In formulating our opinion in respect of the Subscription, we have taken into consideration, among other things, the following principal reasons and factors:

Background of and reasons for the Subscription

The Subscription is one of the 282 subscriptions under the Subscription Agreements. We understand from the Company that, apart from the exact number of Shares under each of the Subscription Agreements, all subscriptions under the Subscription Agreements are on the same terms.

As set out in the Announcement, the Company entered into the Sale and Purchase Agreements with the Subscribers on 3 August 2005. The Company has acquired under the Sale and Purchase Agreements an aggregate of 12.75% interest in CMCS from the Subscribers. The total consideration paid to the Subscribers is NT\$563,981,000 (equivalent to approximately US\$17,710,910¹). We understand from the Company that the acquisition of Mr. Chih’s shareholding in CMCS under the Sale and Purchase Agreement between Transworld and Mr. Chih is exempt from independent shareholders’ approval pursuant to Rule 14A.32 of the Listing Rules.

We understand from the Company that all the Subscribers are employees of CMCS.

After completion of the Sale and Purchase Agreements and the granting of the listing approval for the new Shares to be issued under the Subscription Agreements, the Subscribers have subscribed for an aggregate of 26,915,000 new Shares at a subscription price of HK\$5.065 per Share. The total subscription money of approximately HK\$136,324,475 (equivalent to approximately US\$17,522,426²) is close to the total consideration paid by the Group to the Subscribers under the Sale and Purchase Agreements. We understand from the Company that the execution of the Sale and Purchase Agreements and the Subscription Agreements enables the Company to acquire additional shares in CMCS from the Subscribers and at the

¹ For illustration purposes only, figures in NT\$ are converted into US\$ at the rate of NT\$31.845 = US\$1.000.

² For illustration purposes only, figures in HK\$ are converted into US\$ at the rate of HK\$7.78 = US\$1.00.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

same time allow the Subscribers to subscribe for new Shares using the sales proceeds they received from the Company. We consider that the issue of Shares for cash upfront effectively enables the Group to further consolidate its equity interest in CMCS whilst reducing the Group's cash outflow as a result thereof. Furthermore, the Company considers it important to stabilize and retain the Subscribers as employees of CMCS, being key assets of CMCS.

The Subscription, together with other subscriptions under the Subscription Agreements, aims to retain and motivate the employees of CMCS, including Mr. Chih, who is the Chief Executive Officer and a director of CMCS. The Company considers that issuing Shares to employees of the Group can effectively motivate its staff to strive for the future development of the Group. We concur with the view of the Company that issuing equity securities to the staff of the Group help tying the interests of the employees in line with those of the Group without requiring the Group to incur any material cash expenses. We agree with the Company that issuing Shares to employees aiming to retain and motivate them is in the general interests of the Company and its Shareholders.

The Company has been using similar methods to retain and motivate its staff. In 2003, certain staff members of the Group were invited to subscribe for Shares at a price equal to the estimated unaudited net asset value of the Group as at 23 April 2004 (the "Pre-listing Subscriptions"). Details of the Pre-listing Subscriptions were set out in the prospectus of the Company dated 24 January 2005.

The Company has also adopted a share scheme (the "Share Scheme") pursuant to which the Company may grant Shares to, among others, its employees, management members and directors of the Group. The purpose of the Share Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them all to strive for the future development of and expansion of the Group.

Mr. Chih is a director and the Chief Executive Officer of CMCS. As at the Latest Practicable Date, CMCS was a 69.23% owned subsidiary of the Company. Upon completion of the Sale and Purchase Agreements, the Group's shareholding in CMCS has increased from 56.48% to 69.23%.

The Group acquired CMCS with a view to enhancing the Group's design capabilities, reinforcing the Group's vertical integration business model to compete more effectively and strengthening the Group's services and the provision of value-added services to the Group's key customers. Mr. Chih is responsible for the overall management and the formulation of development strategy of CMCS. We understand from the Company that Mr. Chih has extensive working experience in the telecommunications industry. We understand from the Company that Mr. Chih is a key member of the management team of CMCS. It will be in the interest of the Company to be able to continue to capitalize on the expertise, experience and knowledge of Mr. Chih in the future development of CMCS. We concur with the Company that it is important for the Company to retain and motivate Mr. Chih, who is one of the key persons to the development of CMCS, by way of the Subscription.

Subscription price

The subscription price of the Subscription Shares is HK\$5.065 which is the same as the subscription price paid by the other 281 employees of CMCS. As set out in the Circular, the subscription price was arrived at after arm's length negotiations between the Company and the relevant employees of CMCS, including Mr. Chih.

The subscription price of HK\$5.065 per Subscription Share represents:

- (i) a discount of approximately 17.64% to the closing price of HK\$6.15 per Share as quoted on the Stock Exchange on 3 August 2005, being the date of the Subscription Agreement;
- (ii) a discount of approximately 19.98% to the average closing price of approximately HK\$6.33 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 2 August 2005, being the last trading day before the date of the Subscription Agreement;
- (iii) a discount of approximately 23.3% to the closing price of HK\$6.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 20.9% to the average closing price of approximately HK\$6.40 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Latest Practicable Date;
- (v) a discount of approximately 13.6% to the average closing price of approximately HK\$5.86 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Latest Practicable Date;
- (vi) a premium of approximately 0.3% over the average closing price of approximately HK\$5.05 per Share as quoted on the Stock Exchange since the trading of the Shares commenced on 3 February 2005 up to and including the Latest Practicable Date; and
- (vii) approximately 4.5 times the adjusted net tangible asset value per Share of HK\$1.13 as set out in the prospectus of the Company dated 24 January 2005.

As mentioned above, the principal purposes of the Subscription, as well as the subscriptions under the other Subscription Agreements, are to retain and motivate the Subscribers (being employees of the CMCS) instead of fund raising, and to effectively reduce the Group's cash outflow as a result of the Sale and Purchase Agreements entered into between Transworld and the Subscribers. As such, we do not consider it appropriate to compare the terms of the Subscription with other placings of new shares to investors in Hong Kong which were mainly carried out for the purposes of fund raising and were usually carried out in a larger magnitude whilst the new Shares to be issued under the Subscription Agreements

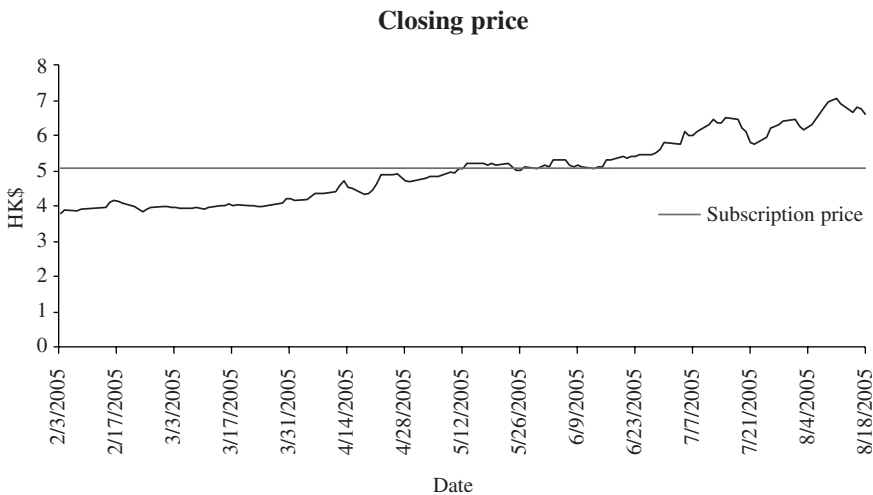
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

only represent approximately 0.387% of the enlarged issued share capital of the Company. The Company considers it reasonable to offer all Subscribers, including Mr. Chih, a relative deep discount to the recent market price of the Shares. We concur with the view of the Company that the discount factor is one of the essential aspects of the subscriptions under the Subscription Agreements in order to achieve the effect of retaining and motivating the employees, including Mr. Chih, to strive for the future development of CMCS and the Group.

Under the Pre-listing Subscriptions, employees of the Group were required to pay a subscription price which was determined with reference to the estimated net asset value of the Group, representing a discount of approximately 85.6% to the offer price of the Shares under the initial public offering of the Company in January 2005. Under the Share Scheme, Shares may be granted to employees and directors of the Group for free as part of their rewards. Unlike the Pre-listing Subscriptions and the Share Scheme, the 282 employees of the Group, including Mr. Chih, have to pay a subscription price which was only discounted to the market price by less than 20%.

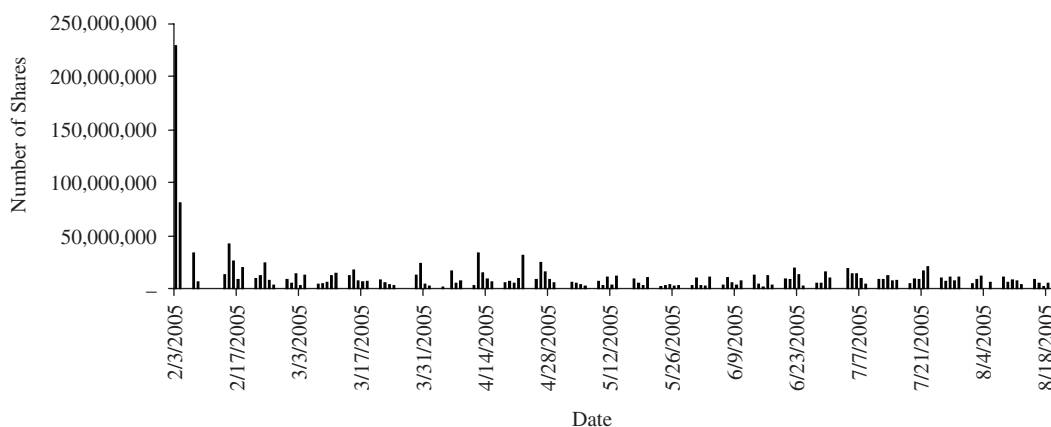
Moreover, as shown above, the subscription price under the Subscription Agreements represents a substantial premium to the net asset value per Share, based on the adjusted net tangible asset value per Share as set out in the prospectus of the Company dated 24 January 2005.

The following charts show the trend of the closing price and the trading volume of the Shares since commencement of trading of the Shares on the Stock Exchange on 3 February 2005 up to the Latest Practicable Date.



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Trading volume



Source: Infocast

According to the terms of the Subscription, the subscription price per Share should be the lowest closing price of the Shares during the period from 1 June 2005 to 2 August 2005, i.e. HK\$5.05 subject to a condition that the subscription price should be higher than 80% of the higher of:

1. the closing price of the Shares as at the date of the Subscription Agreement; and
2. the average closing price of the Shares for the 5 consecutive trading days prior to the date of the Subscription Agreement.

Such higher price is hereinafter referred to as the “Floor Price”.

The Floor Price is HK\$5.064. As the subscription price has to be higher than the Floor Price, the subscription price was set at HK\$5.065 per Share.

We understand from the Company that the above term was determined with a view to allowing the Company to meaningfully motivate the subscribers under the Subscription Agreements by determining the subscription price under the Subscription Agreements with reference to (i) the lowest closing price of the Shares over a reasonable trading period, which was determined with reference to the time when the Company commenced negotiations with the Subscribers after completion of the acquisition of a 56.48% interest in CMCS by the Company in late May 2005, prior to the entering into of the Subscription Agreements and (ii) the lowest possible price allowable under the Listing Rules in respect of issue of new Shares using general mandate, being the Floor Price.

Trading of the Shares only has a relatively short history of less than 7 months. The Shares were only listed in February 2005. The initial offer price of the Shares was HK\$3.88 per Share. As at the Latest Practicable Date, the closing price of the Shares was HK\$6.60, representing a significant increase of approximately 70.1% over the initial offer price of the Shares. The trading price of the Shares increased to above HK\$5.0 per Share in May 2005. The subscription price under the Subscription Agreements is comparable to the average closing price of the Shares of approximately HK\$4.90 from 3 February 2005 to the date of the Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the factors stated above in this paragraph, we concur with the view of the Company that the discount of the subscription price under the Subscription Agreement to the recent market price of the Shares is acceptable and reasonable.

Effect on the shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Subscription Agreements (assuming that there are no other changes to the shareholding structure of the Company) was as follows:

Shareholders	As at the Latest Practicable Date (approximate %)	Immediately after completion of the Subscription Agreements (approximate %)
Foxconn Far East	73.36	73.072
Directors	0.70	0.696
All subscribers under the Subscription Agreements*	–	0.387
Public Shareholders as at the Latest Practicable Date	25.94	25.845
	<u>100</u>	<u>100</u>

* including 2,829,000 Shares held by Mr. Chih after completion of the Subscription Agreements on 19 August 2005, representing approximately 0.041% of the enlarged issued share capital of the Company

The Company considers that the effect on the percentage shareholding of existing Shareholders in the Company as a result of the issue of new Shares under the Subscription Agreements (of which the Subscription forms part) is minimal and thus acceptable given the reasons for and benefits of the Subscription as mentioned above in the paragraph headed “Background of and reasons for the Subscription”. We concur with this view of the Company, based on the fact that the number of Shares which has been issued under the Subscription Agreements only represents approximately 0.387% of the enlarged issued share capital of the Company.

CONCLUSION

Having considered the principal reasons and factors as set out above, we are of the view that the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Ernst & Young Corporate Finance Limited
Cecilia Ng
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

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

Name of Director	Name of corporation	Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporations
Samuel Wai Leung Chin	the Company	Personal interest	24,221,275	0.35%
	Hon Hai	Personal interest	136,224	0.004%
Feng-Shuh Dai	the Company	Personal interest	24,221,275	0.35%
	Hon Hai	Personal interest	359	0.00001%
Jimmy Ban-Ja Chang	Hon Hai	Personal interest	1,460,055	0.045%
Jin-Ming Lee	Hon Hai	Personal interest	220,920	0.007%
Fang-Ming Lu	Hon Hai	Personal interest	441,000	0.014%
Yu-Lang Mao	Hon Hai	Personal interest	461,961	0.014%

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

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

Interests and Short Positions of Shareholders

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

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Foxconn Far East	Beneficial owner	5,081,034,525	73.36%
Hon Hai ⁽¹⁾	Interest of a controlled corporation	5,081,034,525	73.36%

Note:

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

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such share capital.

3. **COMPETING BUSINESS INTERESTS OF DIRECTORS**

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

4. **QUALIFICATIONS**

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

Name	Qualifications
Ernst & Young Corporate Finance Limited	a licensed corporation to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities for the purposes of the SFO

5. **CONSENT**

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

6. **MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest published audited financial statements of the Group were made up.

7. **LITIGATION**

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

8. MISCELLANEOUS

- (a) None of the Directors has entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.
- (b) As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or EYCFL was beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and none had any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The company secretary of the Company is Wan Mui TANG (associate member of the Hong Kong Institute of Company Secretaries and associate member of the Institute of Chartered Secretaries and Administrators).
- (d) The qualified accountant of the Company is Danny Kam Wah TAM (associate member of the Hong Kong Institute of Certified Public Accountants, fellow of the Association of Chartered Certified Accountants and associate member of the Chartered Institute of Management Accountants).
- (e) The registered office of the Company is at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.
- (f) The principal place of business of the Company is at Room 25-27, 6th Floor, Hi Tech Centre, 9 Choi Yuen Road, Sheung Shui, New Territories, Hong Kong.
- (g) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited.
- (h) The principal share registrar of the Company is Butterfield Bank (Cayman) Limited.
- (i) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 38th Floor., Jardine House, 1 Connaught Place, Central, Hong Kong from 24 August 2005 to 6 September 2005 (both days inclusive):

- (a) the Subscription Agreements; and
- (b) the Sale and Purchase Agreements.