Foxconn International Shares Drop 4 Percent After Profit Warning

Reuters

Shares of Foxconn International Holdings Ltd (FIH) (2038.HK), the world's biggest contract maker of cellphones, fell more than 4 percent after the firm said it expected to record a net loss for 2012 as a result of low demand from its major clients.

The last time FIH was in the red for the full year was 2010, when it reported a net loss of $218.3 million as key clients such as Nokia Oyj (NOK1V.HE) started to lose market share to Apple Inc (AAPL.O) in the booming smartphone market.

FIH said on Wednesday its net loss for the second half of last year was expected to be smaller than the group's first-half net loss, which came in at $226.07 million, its worst ever first-half performance.

Shares in FIH, which assembles phones for brands such as Nokia and Huawei Technologies Co Ltd HWT.UL but not Apple Inc (AAPL.O), fell as much as 4.2 percent in early trade on Thursday. By 0205 GMT, the shares were down 3.1 percent at HK$3.47, lagging the main Hang Seng Index .HSI [1] which was flat.

Its shares rallied in the fourth quarter of last year when several brokerages said they expected FIH's parent, Foxconn Technology Group, to pass some iPhone assembling operations from its Hon Hai Precision Industry Co Ltd (2317.TW) to the company by the end of the year.

Neither FIH nor Foxconn Technology Group has confirmed that this is happening.

"We believe the speculation on Hon Hai's Apple order transfer was overdone," Aaron Jeng, an analyst from Nomura, said in a report.

Barclays analyst Dale Gai said any contribution from Apple would likely be delayed to the second half of 2013.

"We are not expecting strong demand in the first half of 2013, based on the weak first-quarter sales guidance Apple announced today, as we expect Hon Hai to continue keep all iPhone assembly production at its owned facilities," he said.

(Reporting by Lee Chyen Yee; Editing by Daniel Magnowski)

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