Global Flex Holdings Limited
佳邦環球控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 471)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

## SUMMARY OF RESULTS

The board (the "Board") of directors (the "Directors") of Global Flex Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007.

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

| | NOTES | **2007** | 2006 |
|---|---|---|---|
| | | **US$** | US$ |
| Revenue | 4 | **311,602,789** | 315,536,882 |
| Cost of sales | | **(305,267,263)** | (279,024,077) |
| Gross profit | | **6,335,526** | 36,512,805 |
| Other income | 5 | **5,727,810** | 2,954,314 |
| Distribution and selling expenses | | **(8,389,231)** | (7,660,860) |
| Administrative expenses | | **(19,917,785)** | (11,616,788) |
| Impairment loss on property, plant and equipment | | **(5,366,859)** | — |
| Finance costs | 6 | **(7,582,069)** | (6,182,271) |
| (Loss) profit before taxation | | **(29,192,608)** | 14,007,200 |
| Income tax expense | 7 | **(585,453)** | (1,619,195) |
| (Loss) profit for the year | 8 | **(29,778,061)** | 12,388,005 |
| Dividends | 9 | **4,612,903** | 4,354,839 |
| (Loss) earnings per share | 10 | | |
| - Basic | | **(0.0238)** | 0.0099 |
| - Diluted | | **N/A** | N/A |

## CONSOLIDATED BALANCE SHEET
## AT 31 DECEMBER 2007

| | NOTES | 2007 | 2006 |
|---|---|---|---|
| | | **US$** | US$ |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **93,147,521** | 79,866,481 |
| Prepaid lease payments - non-current portion | | **3,403,783** | 3,606,479 |
| Deposits paid for acquisition of property, plant and equipment | | **2,709,421** | 3,764,043 |
| Available-for-sale investment | | **22,008** | 22,008 |
| | | **99,282,733** | 87,259,011 |
| **CURRENT ASSETS** | | | |
| Inventories | | **39,969,755** | 48,605,601 |
| Trade and other receivables | 11 | **86,316,301** | 143,119,493 |
| Prepaid lease payments - current portion | | **459,233** | 428,794 |
| Pledged bank deposits | | **8,597,630** | 13,517,139 |
| Bank balances and cash | | **10,856,313** | 46,782,638 |
| | | **146,199,232** | 252,453,665 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **83,975,312** | 103,281,270 |
| Tax liabilities | | **450,877** | 392,775 |
| Bank borrowings - due within one year | | **69,096,519** | 114,663,379 |
| | | **153,522,708** | 218,337,424 |
| **NET CURRENT (LIABILITIES) ASSETS** | | **(7,323,476)** | 34,116,241 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **91,959,257** | 121,375,252 |
| **NON-CURRENT LIABILITY** | | | |
| Bank borrowings - due after one year | | **—** | 3,841,869 |
| | | **91,959,257** | 117,533,383 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **16,129,032** | 16,129,032 |
| Share premium and reserves | | **75,830,225** | 101,404,351 |
| | | **91,959,257** | 117,533,383 |

*Notes:*

## 1. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee of the Company.

### SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in this Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's loss of US$29,778,061 and net current liabilities of approximately US$7,323,476 at 31 December 2007. The Directors of the Company have been taking steps to improve the liquidity of the Group. The Group is in negotiations with independent third parties on a possible placement of new shares in the Company. The planning of the placement must be within the limitation of the Group's mandate which has been approved in the last annual general meeting. The Company intends to place no more than 20% of existing ordinary shares of the Company. The Directors of the Company plan to process the placement within several weeks after the date of the Group's final result announcement for the year ended 31 December 2007. On the basis that the planned placement will be successful, the Directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning 1 January 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) - Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC) - Int 8 | Scope of HKFRS 2 |
| HK(IFRIC) - Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC) - Int 10 | Interim Financial Reporting and Impairment |

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combination[2] |
| HKFRS 8 | Operating Segments[2] |
| HK(IFRIC) - Int 11 | HKFRS 2: Group and Treasury Share Transactions[3] |
| HK(IFRIC) - Int 12 | Service Concession Arranagements[4] |
| HK(IFRIC) - Int 13 | Customer Loyalty Programmes[5] |
| HK(IFRIC) - Int 14 | HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4] |

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors of the Company anticipate that the application of the other standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

## 4. SEGMENTAL INFORMATION

**Business segments**

For management purposes, the Group is currently organised into four operating divisions - flexible printed circuit boards, rigid printed circuit boards, flexible printed circuit boards assembly and rigid printed circuit board assembly. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are manufacturing and trading of:

– Flexible printed circuit boards ("FPC")
– Rigid printed circuit boards ("PCB")
– Flexible printed circuit boards assembly ("FPCA")
– Rigid printed circuit boards assembly ("PCBA")

| | Flexible printed circuit boards | | Rigid printed circuit boards | | Flexible printed circuit boards assembly | | Rigid printed circuit boards assembly | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **US$** | US$ | **US$** | US$ | **US$** | US$ | **US$** | US$ | **US$** | US$ |
| REVENUE | | | | | | | | | | |
| External sales | **31,428,045** | 19,146,234 | **51,967,805** | 69,970,654 | **136,695,143** | 165,563,947 | **91,511,796** | 60,856,047 | **311,602,789** | 315,536,882 |
| RESULTS | | | | | | | | | | |
| Segment results | **(3,434,346)** | 384,500 | **(3,431,107)** | 2,268,646 | **10,325,263** | 24,680,454 | **(10,880,374)** | 1,518,345 | **(7,420,564)** | 28,851,945 |
| Unallocated income | | | | | | | | | **5,727,810** | 2,954,314 |
| Unallocated expenses | | | | | | | | | **(19,917,785)** | (11,616,788) |
| Finance costs | | | | | | | | | **(7,582,069)** | (6,182,271) |
| (Loss) profit before taxation | | | | | | | | | **(29,192,608)** | 14,007,200 |
| Income tax expense | | | | | | | | | **(585,453)** | (1,619,195) |
| (Loss) profit for the year | | | | | | | | | **(29,778,061)** | 12,388,005 |
| ASSETS | | | | | | | | | | |
| Segment assets | **45,593,546** | 82,868,264 | **53,715,067** | 73,196,064 | **76,770,171** | 67,741,709 | **45,257,719** | 54,139,732 | **221,336,503** | 277,945,769 |
| Unallocated assets | | | | | | | | | **24,145,462** | 61,766,907 |
| Consolidated total assets | | | | | | | | | **245,481,965** | 339,712,676 |
| LIABILITIES | | | | | | | | | | |
| Segment liabilities | **20,862,012** | 27,542,018 | **15,984,847** | 22,150,919 | **31,684,367** | 33,076,770 | **14,976,925** | 20,389,678 | **83,508,151** | 103,159,385 |
| Unallocated liabilities | | | | | | | | | **70,014,557** | 119,019,908 |
| Consolidated total liabilities | | | | | | | | | **153,522,708** | 222,179,293 |
| OTHER INFORMATION | | | | | | | | | | |
| Capital additions | **5,610,229** | 5,110,051 | **7,686,561** | 7,441,532 | **6,487,825** | 3,366,508 | **3,759,210** | 2,772,294 | **23,543,825** | 18,690,385 |
| Impairment loss on property, plant and equipment | **—** | — | **—** | — | **—** | — | **5,366,859** | — | **5,366,859** | — |
| Impairment loss on trade and other receivables | **—** | 430,348 | **4,063,110** | 314,835 | **323,602** | 370,957 | **1,861,564** | 254,330 | **6,248,276** | 1,370,470 |
| Impairment loss on inventories | **3,297,572** | 1,419,540 | **3,759,445** | 776,599 | **3,781,010** | 1,130,540 | **3,253,834** | 886,203 | **14,091,861** | 4,212,882 |
| Depreciation of property, plant and equipment and release of prepaid lease payments | **3,076,327** | 2,005,103 | **4,635,707** | 2,915,756 | **1,478,448** | 1,328,990 | **1,836,751** | 1,104,290 | **11,027,233** | 7,354,139 |

**Geographical segments**

The Group's operations are located in the People's Republic of China ("PRC") and Taiwan.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| The PRC, including Hong Kong | **254,971,789** | 271,323,560 |
| United States of America | **15,926,701** | 12,823,013 |
| South East Asia | **11,282,847** | 13,122,542 |
| Europe | **937,159** | 2,069,854 |
| Taiwan | **20,604,297** | 4,408,211 |
| Others | **7,879,996** | 11,789,702 |
| | **311,602,789** | 315,536,882 |

As at 31 December 2007 and 2006, over 90% of identifiable assets of the Group are located in the PRC. Accordingly, no analysis on carrying amount of segment assets or additions to property, plant and equipment is presented.

## 5. OTHER INCOME

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Compensation from a customer for cancellation of orders | **2,244,691** | — |
| Gain on disposal of property, plant and equipment | **14,535** | — |
| Interest income | **1,438,496** | 1,579,714 |
| Rental income | **13,690** | 7,684 |
| Sales of scrap materials | **1,368,187** | 1,198,287 |
| Others | **648,211** | 168,629 |
| | **5,727,810** | 2,954,314 |

## 6. FINANCE COSTS

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Interest on bank borrowings wholly repayable within five years | **7,582,069** | 6,182,271 |

## 7. INCOME TAX EXPENSE

| | 2007 | 2006 |
|---|---|---|
| | **US$** | US$ |
| The charge comprises: | | |
| PRC Foreign Enterprise Income Tax ("FEIT") | | |
| Current year | **457,446** | 1,619,195 |
| Underprovision in prior year | **128,007** | — |
| | **585,453** | 1,619,195 |

No provision for Hong Kong Profits Tax and Taiwan Income Tax has been made as the Group's profit neither arose in, nor derived from Hong Kong and Taiwan.

Pursuant to the relevant laws and regulations in the PRC, Global Flex (Suzhou) Company Limited ("Global Flex (Suzhou)"), Forever Jade Electronics (Suzhou) Company Limited ("Forever Jade (Suzhou)") and Global Flex (Suzhou) Plant II Co., Ltd. ("Global Flex (Suzhou) Plant II"), PRC subsidiaries of the Company, are entitled to the exemptions from FEIT for two years starting from its first profit-making year and to a 50% relief from the FEIT for the following three years ("Tax Holidays"). The first profit-making year of Global Flex (Suzhou) and Forever Jade (Suzhou) is the year ended 31 December 2002 and 31 December 2006, respectively. Global Flex (Suzhou) has its operations located in Suzhou, the PRC which is the coastal economic open zones and is subject to a preferential tax rate of 27%. In December 2005, Global Flex (Suzhou) re-invested and increased its capital by US$16,000,000 to US$48,000,000. Global Flex (Suzhou) is entitled to another Tax Holidays on a capital proportionate basis from the date of re-investment. Accordingly, one-third of the taxable profit of Global Flex (Suzhou) is subject to the Tax Holidays.

Pursuant to approvals by the relevant PRC tax authority, Global Flex (Suzhou) is granted advanced-technology exemption from 50% of FEIT for three years commenced from the year ended 31 December 2007.

Global Flex (Suzhou) Plant II was in the pre-operating stage and did not choose to enjoy the Tax Holidays since its establishment. Accordingly, the profit generated by Global Flex (Suzhou) Plant II during the year ended 31 December 2007 was subject to FEIT at a rate of 27%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% for certain subsidiaries from 1 January 2008 onwards. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax exemption and deduction for the FEIT is still applicable until the end of the five-year transitional period under the New Law.

The tax charge for the year can be reconciled to the (loss) profit before taxation as follows:

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| (Loss) profit before taxation | **(29,192,608)** | 14,007,200 |
| Tax at the domestic income tax rate of 27% | **(7,882,004)** | 3,781,943 |
| Tax effect of income not taxable for tax purpose | **(7,568)** | (419,441) |
| Tax effect of expenses not deductible for tax purpose | **1,564,825** | 980,201 |
| Tax effect of tax losses not recognised | **254,729** | — |
| Tax effect of deductible temporary differences not recognised | **6,940,889** | 1,507,505 |
| Underprovision in respect of prior year | **128,007** | — |
| Effect of tax exemptions granted to the PRC subsidiaries | **(413,425)** | (4,231,013) |
| Tax charge for the year | **585,453** | 1,619,195 |

At 31 December, 2007, the Group has unused tax loses of approximately US$943,000 (2006: Nil) and deductible temporary differences of approximately US$35,151,000 (2006: US$9,444,000) available for offset against future profits in the Group. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams of the Company. The tax losses may be carried forward indefinitely.

## 8. (LOSS) PROFIT FOR THE YEAR

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| (Loss) profit for the year has been arrived at after charging (crediting): | | |
| Staff costs, including directors' remuneration | | |
| - Salaries and allowances | **27,795,827** | 23,821,981 |
| - Retirement benefit scheme contributions | **1,237,301** | 1,247,980 |
| - Share-based payments | **1,175,966** | 1,083,871 |
| Total staff costs | **30,209,094** | 26,153,832 |
| Auditors' remuneration | **175,974** | 157,629 |
| Impairment loss on trade and other receivables | **6,248,276** | 1,370,470 |
| Impairment loss on inventories | **14,091,861** | 4,212,882 |
| Release of prepaid lease payments | **493,105** | 32,445 |
| Cost of inventories recognised as an expense | **291,175,402** | 274,811,195 |
| Depreciation of property, plant and equipment | **10,534,128** | 7,321,694 |
| Net exchange loss | **2,237,735** | 1,265,776 |
| Gain on disposal of property, plant and equipment | **(14,535)** | — |

## 9. DIVIDENDS

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Ordinary shares: | | |
| Final, paid - HK$2.86 cents (2006: HK$2.7 cents) | **4,612,903** | 4,354,839 |

During the year, dividends of HK$2.86 cents (2006: HK$2.7 cents) per share were paid to the shareholders of the Company as the final dividends for the year ended 31 December 2006.

No dividend was proposed during 2007, nor has any dividend been proposed since the balance sheet date.

## 10. BASIC (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the year is based on the following data:

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| (Loss) earnings for the purposes of basic (loss) earnings per share | **(29,778,061)** | 12,388,005 |
| Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share | **1,250,000,000** | 1,250,000,000 |

No diluted loss per share has been presented because the conversion of the Company's outstanding share options is anti-dilutive.

## 11. TRADE AND OTHER RECEIVABLES

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Trade receivables | **78,001,426** | 132,517,270 |
| Less: Accumulated impairment | **(9,656,240)** | (3,407,964) |
| | **68,345,186** | 129,109,306 |

The Group generally allows credit period ranged from 30 days to 150 days to its trade customers.

The aged analysis of the trade receivables as at the balance sheet date are as follows:

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Trade receivables: | | |
| 0 - 30 days | **36,963,079** | 44,360,145 |
| 31 - 60 days | **11,408,044** | 40,696,436 |
| 61 - 90 days | **10,015,531** | 25,613,542 |
| 91 - 120 days | **6,000,617** | 9,341,355 |
| 121 - 150 days | **1,332,570** | 5,134,024 |
| Over 150 days | **2,625,345** | 3,963,804 |
| | **68,345,186** | 129,109,306 |
| Other receivables | **17,971,115** | 14,010,187 |
| Total trade and other receivables | **86,316,301** | 143,119,493 |

Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$10,071,568 (2006: US$17,482,915) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| 0 - 30 days | **—** | — |
| 31 - 60 days | **122,032** | 2,360,251 |
| 61 - 90 days | **1,087,489** | 3,759,312 |
| 91 - 120 days | **5,453,337** | 5,436,121 |
| 121 - 150 days | **897,150** | 3,822,729 |
| 151 - 365 days | **2,511,560** | 2,104,502 |
| | **10,071,568** | 17,482,915 |

Other than the above trade receivable which are past but not impaired, the Group has provided fully for all receivables over 365 days because historical experience is that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the impairment loss on trade receivables

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Balance at beginning of the year | **3,407,964** | 2,037,494 |
| Impairment loss recognised on trade receivables | **6,248,276** | 1,370,470 |
| Balance at end of the year | **9,656,240** | 3,407,964 |

In determining the recoverability of a trade receivable, the Group consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$9,656,240 (2006: US$3,407,964). The Group does not hold any collateral over these balances.

The carrying amounts of the Group's foreign currency denominated trade and other receivables at the reporting date are as follows:

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| US dollars | **68,516,056** | 111,789,794 |

## 12. TRADE AND OTHER PAYABLES

The aged analysis of the trade payables as at the balance sheet date are as follows:

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| Trade payables: | | |
| 0 - 90 days | **50,314,839** | 78,793,089 |
| 91 - 120 days | **8,868,217** | 7,422,400 |
| 121 - 180 days | **4,744,957** | 3,145,673 |
| 181 - 365 days | **4,215,641** | 1,141,744 |
| Over 365 days | **1,716,790** | 650,315 |
| | **69,860,444** | 91,153,221 |
| Other payables | **14,114,868** | 12,128,049 |
| Total trade and other payables | **83,975,312** | 103,281,270 |

The average credit period on purchases of goods is 150 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The carrying amounts of the Group's foreign currency denominated trade and other payable at the reporting date are as follows:

| | **2007** | 2006 |
|---|---|---|
| | **US$** | US$ |
| US dollars | **43,143,356** | 58,205,881 |

## SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S FINANCIAL STATEMENT

The Company's auditor, Messers Deloitte Touche Tohmatsu, without qualifying the auditor's report, have considered the adequacy of the disclosures made in the consolidated financial statements as at 31 December 2007 concerning the adoption of the going concern basis on which the financial statements have been prepared and expressed the following statement.

Without qualifying our opinion, we draw attention to note 2 to the annual result announcement which indicates that the Group incurred a loss of US$29,778,061 during the year ended 31 December 2007 and, as at 31 December 2007, the Group's current liabilities exceeded its current assets by US$7,323,476. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## FINAL DIVIDEND

The Board decided no final dividend for the end of year 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the financial year ended 31 December 2007, the Group recorded a turnover of approximately US$311.6 million and loss for the year of approximately US$29.8 million as compared to turnover of approximately US$315.5 million and profit of approximately US$12.4 million for the year ended 31 December 2006, representing a decrease of approximately 1.3% and a decrease of approximately 340.4% respectively. Loss per share was approximately US2.4 cents (2006: Earning per share approximately US1.0 cents) and net assets per share of the Company was approximately US7.4 cents (2006: approximately US9.4 cents).

**Turnover**

The turnover of the Group for the year ended 31 December 2007 and the comparative figures of 2006 classified by categories of the major products are set out below:

**Turnover by operations**

| | **2007** | | 2006 | | **Change** |
|---|---|---|---|---|---|
| | **US$'000** | **%** | US$'000 | % | **%** |
| FPC solutions | | | | | |
| FPCA | **136,695** | **43.9** | 165,564 | 52.5 | (17.4) |
| FPC | **31,428** | **10.1** | 19,146 | 6.0 | 64.1 |
| Total FPC solutions | **168,123** | **54.0** | 184,710 | 58.5 | (8.9) |
| PCB solutions | | | | | |
| PCBA | **91,512** | **29.4** | 60,856 | 19.3 | 50.3 |
| PCB | **51,968** | **16.6** | 69,971 | 22.2 | (25.7) |
| Total PCB solutions | **143,480** | **46.0** | 130,827 | 41.5 | 9.6 |
| Total | **311,603** | **100.0** | 315,537 | 100.0 | (1.3) |

The Group's turnover was mainly derived from sales of FPC solutions and PCB solutions. With reference to the above table, turnover from sales of FPC solutions and sales of PCB solutions for the year ended 31 December 2007 were approximately US$168.1 million and US$143.5 million (2006: US$184.7 million and US$130.8 million) respectively, representing approximately 54.0% and approximately 46.0% of the total sales of the Group (2006: 58.5% and 41.5%) respectively.

The decrease of 17.4% in sales of FPCA in 2007 was mainly due to the drop of market share of a major customer of the Group which led to a reduction of demand from the customer. Although the major customer's order reduced, the demand from other intelligent cell phone customers has increased. The increase of 64.1% in the sales of FPC in 2007 was mainly due to significantly increase in demand from those intelligent cell phone customers.

On the other hand, the sales of PCBA have increased by approximately 50.3% in 2007. The increase in the turnover from PCBA was primarily due to the significant increase in demand from those customers in the PRC. Such increase in turnover in PCBA may also bring additional liquidity and finance risk for the Group. The Group has decided to change the mode of the PCBA business so as not to bear any raw material cost of the customers. The Company only charges the subcontracting fee to the customers under PCBA business. In doing so, significant liquidity and finance risk of funding can be reduced.

The sales of PCB have decreased by approximately 25.7% in 2007. The decrease in the turnover from PCB was primarily due to the temporary decline in production capacity as a consequence of the PCB factory relocation, the upgrade of product level and the selection of better margin customers from the end of the first half of 2007. The Company expects the turnover from PCB will increase due to the demand for high density interface PCB, PCB for automobile, ceramic base PCB and aluminium base PCB, which are expected to have significant growth in the coming year.

**Gross profits margin by operations**

| | **2007** | 2006 |
|---|---|---|
| | **%** | % |
| FPC solutions | | |
| FPCA | **10.3** | 17.4 |
| FPC | **(8.2)** | 4.4 |
| PCB solutions | | |
| PCBA | **(3.3)** | 4.9 |
| PCB | **(3.9)** | 5.6 |
| Total | **2.0** | 11.6 |

The Group's gross profit decreased from approximately US$36.5 million for the year ended 31 December 2006 to approximately US$6.3 million for the year ended 31 December 2007. The overall gross profit margin declined from approximately 11.6% for the year ended 31 December 2006 to approximately 2.0% for the year ended 31 December 2007. The gross profit and gross profit margin decrease mainly due to the following:

1. The appreciation of Renminbi ("RMB") to US dollar and inflation in PRC are main factors affecting the labour cost and manufacturing overhead, which both significantly increase during the year.

2. Raw material costs increase because of the continous increase in petroleum and metal prices in 2007.

3. The gross profit margin of FPCA and PCB reduce also due to the reduction in demand from the major customer.

4. The gross loss margin for PCBA and PCB both decrease due to the significant increase in material and component cost because of RMB appreciation which cannot be reallocated in the selling price of the products. Due to deteriorating profit margin and intensified competition in PCBA, the Group had started to scale down such business since the fourth quarter of 2007. As a result, impairment loss on trade and other receivables and raw material increases for those PCBA and PCB customers.

**Operating expenses**

Distribution costs for the year ended 31 December 2007 increased by 9.5% to approximately US$8.4 million, as compared to that of approximately US$7.7 million for the year ended 31 December 2006. The increase in distribution and selling expenses was primarily due to a significant increase in transportation costs during the year as a result of a continuous rise in oil prices. The other items comprising the distribution and selling expenses were in line with the level of turnover.

The administrative expenses for the year ended 31 December 2007 increased by approximately 71.5% to approximately US$19.9 million as compared to that of approximately US$11.6 million for the year ended 31 December 2006. The significant increase was mainly due to the impairment loss on trade and other receivables overly aged in accordance with the Group's accounting policy and an increase in salaries as a result of an increase in the rate of administrative and management staffs during the year. In addition, as a result of the appreciation of RMB against the US dollar during the year, the Group suffered a greater exchange loss in the year comparing with year 2006. On the other hand, share option benefits granted to directors and employees of the Group also increase during the year.

Finance costs of the Group for the year ended 31 December 2007 increased by 22.6% to approximately US$7.6 million, as compared to that of approximately US$6.2 million for the year ended 31 December 2006. The increase in finance costs was mainly due to an increase in rises in interest rates during the year.

**Liquidity and financial resources**

The Group had shareholders' funds of approximately US$92.0 million as at 31 December 2007 and approximately US$117.5 million as at 31 December 2006. Current assets amounted to approximately US$146.2 million mainly comprising bank balances and cash of approximately US$10.9 million, pledged bank deposits of approximately US$8.6 million, inventories of approximately US$40.0 million and trade and other receivables of approximately US$86.3 million. Current liabilities amounted to approximately US$153.5 million mainly comprising bank borrowings of approximately US$69.1 million and trade and other payables of approximately US$84.0 million.

As at 31 December 2007, the Group's current ratio was 1.0 (2006: 1.2) and the gearing ratio (a ratio of total loans to total assets) was 28.1% (2006: 34.9%).

**Foreign currency exchange risk**

The Group's sales and purchases were denominated in US dollar and RMB. The sales in US dollar and RMB represented approximately 89% and 11% respectively for the year ended 31 December 2007 (2006: 82% and 18%). The purchases in US dollar and RMB represented approximately 76% and 24% respectively for the year ended 31 December 2007 (2006: 69% and 31%). The sales and purchases in US dollar substantially hedged the risks of transactions in foreign currency and the Group did not make any other hedging arrangement in the two years ended 31 December 2007.

**SEGMENTAL INFORMATION**

As at 31 December 2007, detail segmental information of the Group is set out in note 4 to the summary of results.

## EMPLOYEE BENEFITS

For the year ended 31 December 2007, average number of employees of the Group was approximately 6,500 (2006: approximately 7,600). For the year ended 31 December 2007, the Group's staff costs (excluding Directors' fees and emoluments) amounted to approximately US$28.9 (2006: US$25.2 million). The remuneration policy of the Company is reviewed annually and is in line with the prevailing market practice. During the year under review, the Company has granted 54,500,000 share options to its employees or Directors under the share option scheme of the Company adopted on 5 July 2005.

The employees of the Company's subsidiaries in the PRC are members of a state-managed social welfare scheme operated by the local government of the PRC. Under the scheme, the Group provides retirement, medical, employment injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of their payroll costs to the social welfare scheme to fund the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions. During the year under review, the Group contributed approximately US$1.2 million (2006: US$1.2 million) to the scheme.

## BUSINESS/OPERATION REVIEW

The Company's principal activity is investment holdings whilst its subsidiaries are mainly engaged in manufacturing and trading of printed circuit boards.

During the financial year of 2007, the Group recorded a total turnover of approximately US$311.6 million, an decrease of 1.3% from 2006. Turnover of FPC and PCBA grew by 64.10% and 50.3% respectively. On the other hand, turnover of FPCA and PCB reduce by 17.4% and 25.7% respectively. The increase in operating income from FPC was mainly attributable to an increase in the demand for the intelligent cell phone customers. In addition, increase in operating income from PCBA was due to the Group's continuous development of the market of customers in the PRC. On the other hand, decrease in operating income from FCBA was mainly due to a major mobile phone customer's market share reduction since 2007. Finally, the decrease in turnover from PCB was mainly due to the temporary decline in production capacity as a consequence of the PCB factory relocation, the upgrade of product level and the selection of better margin customers from the end of first half of 2007. Net loss for the year under review amounted to approximately US$29.8 million.

**Prospects and future plans**

Printed circuit board industry in PRC develops in a fast pace. Some data show that PRC will face the serious situation of overcapacity for the low end products of PCB. Being one of leading enterprises in the FPC industry, the Group will continuously attend to the development of the high end products of FPCA and High Density Interface ("HDI") PCB. In addition, the Group has also concentrated on the development with new customers which are famous brand names in electronic device. The Directors consider that the Group should pay more attention to higher margin products and customers. In addition, in view of the fierce competition in the printed circuit boards industry, it will be the management's focus this year to enhance our management standard, optimize our cost structure and actively minimize the overhead, distribution and administration cost. The Directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses.

In order to improve the Group's financial position, and to improve liquidity and cash flow to sustain the Group's further development, the Group is in negotiations with independent third parties on a possible placement of new shares in the Company. The planning of the placement must be within the limitation of the Group's mandate and in accordance with the relevant requirements under the Listing Rules. The Directors of the Company plan to process the placement as soon as practicable and will take steps and publish announcement thereon in compliance with the Listing Rules. The Directors may also consider other fund-raising exercise in the form of rights issue and/or such other form as may be considered appropriate. In addition, the Group has been negotiating with banks to restructure our bank loans. Finally, the Group is also considering the disposal of some plant and equipment which do not directly affect the operation of the Group. The purpose is mainly for strengthening the working capital of the Group and reducing the cost of excess production capacity.

**MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the largest and the five largest customers of the Group accounted for approximately 27% and 49% of the Group's turnover respectively. Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year did a Director, an associate of a Director or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

## CONNECTED TRANSACTIONS

During the year, the Group had the following connected and continuing connected transactions:

**Completion of the acquisition of equipment from Vertex Precision Electronics Inc.**

Vertex Precision Electronics Inc. ("Vertex"), the indirect substantial shareholder of the Company, entered into an agreement with Global Technology International Limited ("GTI"), a direct wholly-owned subsidiary of the Company on 29 September 2006 pursuant to which Vertex agreed to sell machinery and equipment for production of 4 to 6 layers PCBs for cars, mobile phones, computer peripheral and telecommunication products to GTI for a consideration of US$1.8 million. During the year, the machinery and equipment are received. The transaction was completed.

**Lease of apartments by Mr. Hsu Chung to the Group**

Global Flex (Suzhou), an indirect wholly-owned subsidiary of the Company, entered into two tenancy agreements with Mr. Hsu Chung, an executive Director, on 13 September 2004 pursuant to which Mr. Hsu Chung leased to Global Flex (Suzhou) two apartments situated in Suzhou. These apartments are used as staff quarters of the Group in Suzhou. During the year, the total rental paid to Mr. Hsu Chung for these two apartments amounted to US$23,738 (2006: US$20,554).

**Rental of office and provision of consultancy services from Chi Capital Partners Limited by the Group**

The Company entered into a tenancy agreement with Chi Capital Partners Limited, which is a company wholly owned by Mr. Wong Chau Chi, an executive Director on 1 November 2007 pursuant to which Chi Capital Partners Limited rents an office to the Company as its registered office in Hong Kong. During the year, the total rental paid to Chi Capital Partners Limited for the office amounted to USD9,806. (2006: Nil)

The Company also entered into a consultancy services agreement with Chi Capital Partners Limited on 1 November 2007 pursant to which Chi Capital Partners Limited will provide consultancy services for the Group for financial and public relation. During the year, the total consultancy fee paid to Chi Capital Partner Limited amounted to USD10,323 (2006: Nil)

Except for the above, there are no other connected transactions and / or continuing connected transactions during the year under review.

The independent non-executive Directors confirm that the transactions above have been entered into by the Group in the ordinary course of its business on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities tranasactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issues ("Model Code") as set out in Appendix 10 to the Listing Rules on 5 July 2005. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the year ended 31 December 2007 and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code.

## CORPORATE GOVERNANCE

During the year under review, the Company has fully complied with the requirements under the Code Provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, namely Messrs. Wang Wei-Lin, Chow Chi Tong and Liao Kuang Sheng, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Board considers all of the independent non-executive Directors are independent.

## AUDIT COMMITTEE

An Audit Committee was established by the Company on 5 July 2005 with written terms of reference to review and supervise the Company's financial reporting process and internal controls. The Audit Committee currently comprises Mr. Chow Chi Tong and Mr. Liao Kuang Sheng, being independent non-executive Directors and Mr. Chou Tsan Hsiung, a non-executive Director. Currently, Mr. Chow Chi Tong is the Chairman of the Audit Committee.

## REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company on 5 July 2005 and re-constituted pursuant to a written resolution passed by the Board on 23 September 2005 to formulate and make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management of the Group.

The Remuneration Committee, currently comprises the three independent non-executive Directors, namely Mr. Wang Wei-Lin, Mr. Chow Chi Tong and Mr. Liao Kuang Sheng and one non-executive Director, Mr. Chou Tsan Hsiung. Mr. Wang Wei-Lin is the Chairman of the Remuneration Committee.

By Order of the Board
**Lin Cheng Hung**
*Chairman*

Hong Kong, 25 April 2008

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Lin Cheng Hung, Mr. Hsu Chung, Mr. Huang Lien Tsung, Mr. Wong Chau Chi, Charles and Ms. Lin Yi Ting; four non-executive Directors, namely Mr. Chou Tsan Hsiung, Mr. Nguyen Duc Van, Mr. Yang Yi and Dr. Li Jun, and three independent non-executive Directors, namely Mr. Wang Wei-Lin, Mr. Chow Chi Tong and Mr. Liao Kuang Sheng.