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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of Directors (the "Board") of Global Flex Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 (the "Period") together with the comparative figures of 2007 as follows:-

Condensed Consolidated Income Statement
For the six months ended 30 June 2008

		Six months ended 30 June	
	NOTES	**2008**	**2007**
		US$	*US$*
		(unaudited)	*(unaudited)*
Revenue	3	69,040,901	144,342,734
Cost of sales		(88,270,819)	(131,933,892)
Gross (loss) profit		(19,229,918)	12,408,842
Other income		2,508,057	3,986,294
Distribution and selling costs		(2,715,249)	(3,878,897)
Administrative expenses		(13,377,874)	(5,961,157)
Interest on bank borrowings wholly repayable within five years		(2,560,988)	(4,379,540)
(Loss) profit before taxation		(35,375,972)	2,175,542
Income tax credit (expense)	4	351,118	(381,258)
(Loss) profit for the period	5	(35,024,854)	1,794,284
Dividends	6	—	4,612,903
		US cents	US cents
(Loss) earnings per share	7		
- Basic		(2.68)	0.14
- Diluted		N/A	0.14

Condensed Consolidated Balance Sheet

As at 30 June 2008

	NOTES	30 June 2008 US$ (unaudited)	31 December 2007 US$ (audited)
Non-current assets			
Property, plant and equipment	8	96,575,868	93,147,521
Prepaid lease payments - non current portion		3,380,329	3,403,783
Deposits paid for acquisition of property, plant and equipment		2,434,777	2,709,421
Available-for-sale investment		26,558	22,008
		102,417,532	99,282,733
Current assets			
Inventories		16,604,291	39,969,755
Trade and other receivables	9	58,325,179	86,316,301
Prepaid lease payments - current portion		489,060	459,233
Pledged bank deposits		5,438,031	8,597,630
Bank balances and cash		2,357,794	10,856,313
		83,214,355	146,199,232
Current liabilities			
Trade and other payables	10	65,304,041	83,975,312
Tax liabilities		257,434	450,877
Bank borrowings - due within one year	11	52,364,582	69,096,519
		117,926,057	153,522,708
Net current liabilities		(34,711,702)	(7,323,476)
Total assets less current liabilities		67,705,830	91,959,257
Capital and reserves			
Share capital	12	19,354,839	16,129,032
Share premium and reserves		48,350,991	75,830,225
Total equity		67,705,830	91,959,257

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. **BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In preparing the condensed 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$35,024,854 for the six months ended 30 June 2008 and net current liabilities of US$34,711,702 at 30 June 2008. The directors of the Company have been taking steps to improve the liquidity of the Group. These steps include (i) as set out in the prospectus issued by the Company dated 16 September 2008, the Group propose to raise additional fund by way of open offer on the basis of two offer shares for every five shares held on the record date. The proposed issue of new shares under the open offer would be made within the limitation of the Group's general mandate which has been approved by its shareholders in the last annual general meeting. The directors of the Company plan to complete the open offer in mid of October 2008; (ii) the Group is negotiating with the Group's bankers to reschedule the Group's bank borrowing; (iii) the Group is negotiating with the Group's suppliers to reschedule the payment of the Group's capital expenditure. Provided that these measures can successfully improve the liquidity position of the Group, 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 condensed consolidated financial statements have been prepared on a going concern basis.

2. **PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008.

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards 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]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[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 July 2008
[4] Effective for annual periods beginning on or after 1 October 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 new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

3. 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 boards 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
- Rigid printed circuit boards
- Flexible printed circuit boards assembly
- Rigid printed circuit boards assembly

	Flexible printed circuit boards Six months ended 30 June		Rigid printed circuit boards Six months ended 30 June		Flexible printed circuit boards assembly Six months ended 30 June		Rigid printed circuit boards assembly Six months ended 30 June		Consolidated Six months ended 30 June	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
REVENUE										
External sales	8,756,504	12,168,434	14,774,879	27,281,213	35,248,996	60,423,683	10,260,522	44,469,404	69,040,901	144,342,734
RESULTS										
Segment results	(2,742,058)	688,157	(3,762,601)	(1,325,548)	(476,092)	8,330,494	(14,964,416)	836,842	(21,945,167)	8,529,945
Unallocated income									2,508,057	3,986,294
Unallocated corporate expenses									(13,377,874)	(5,961,157)
Interest on bank borrowings wholly repayable within five years									(2,560,988)	(4,379,540)
(Loss) profit before taxation									(35,375,972)	2,175,542
Income tax credit (expense)									351,118	(381,258)
(Loss) profit for the period									(35,024,854)	1,794,284

4. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2008	**2007**
	US$	*US$*
	(unaudited)	*(unaudited)*
The People's Republic of China (the "PRC") Foreign Enterprise Income Tax (the "FEIT")		
- Current year	—	489,906
- Underprovision in prior year	—	828,867
- Tax refunds for prior years	(351,118)	(937,515)
	(351,118)	381,258

No provision for Hong Kong Profits Tax and Taiwan Income Tax has been made as the Group's profit neither arises in, nor is 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"), subsidiaries of the Company in the PRC, are entitled to exemptions from the FEIT for two years starting from their 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%. However, in December 2005, Global Flex (Suzhou) re-invested and increased its registered capital by US$16,000,000 to US$48,000,000. As a result, Global Flex (Suzhou) is entitled to another Tax Holidays on a capital proportionate basis from the date of re-investment subject to the approval by the relevant tax authority. Accordingly, one-third of the taxable profit of Global Flex (Suzhou) is subject to the Tax Holidays. During the current period, with the approval issued by the relevant PRC tax authorities, Global Flex (Suzhou) has received tax refunds from the tax authorities, representing the overpayment of the FEIT for the year ended 31 December 2007, of approximately US$351,000 which has been included in the tax credit for the Period.

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

Pursuant to the PRC tax laws, Global Flex (Suzhou) Plant II is entitled to full tax exemption from FEIT for two years commencing from 1 January 2008, followed by 50% reduction in FEIT rate for the next three years.

On 16 March 2007, the PRC promulgated the Law on Enterprise Income Tax of the PRC (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. Under the New Law and Implementation Regulations, the tax rate will be unified to 25% for all subsidiaries in the PRC from 1 January 2008 except for the two continuing tax exemption cases as mentioned above. Such exemptions will continue and the applicable tax rate will be determined based on the new tax rate of 25%.

No provision for deferred taxation has been recognised in the condensed consolidated financial statements as the amount involved is insignificant.

5. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2008	**2007**
	US$	*US$*
	(unaudited)	*(unaudited)*
Impairment loss on inventories	7,155,130	534,887
Depreciation of property, plant and equipment	5,958,542	5,306,726
Interest on bank and other borrowings wholly repayable within five years	2,560,988	4,379,540
Release of prepaid lease payments	239,090	172,043
Impairment loss on property, plant and equipment	1,838,871	—
Impairment loss on trade and other receivables	7,181,542	312,922
Loss on disposal of property, plant and equipment	33,793	—
Bank interest income	(376,029)	(908,583)
Compensation received from customers on cancellation of sales orders	—	(2,143,175)

6. DIVIDENDS

During the period, no dividends (2007: HK$2.86 cents per share) were paid to the shareholders of the Company for the year ended 31 December 2007.

No dividends were paid, declared or proposed during the Period. The Directors do not recommend the payment of an interim dividend for the Period.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2008	**2007**
	US$	*US$*
	(unaudited)	*(unaudited)*
(Loss) earnings		
(loss) earnings for the purpose of basic and diluted (loss) earnings per share	(35,024,854)	1,794,284
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,306,318,681	1,250,000,000
Effect of dilutive potential ordinary shares in respect of share options granted		7,959,211
Weighted average number of ordinary shares for the purpose of diluted earnings per share		1,257,959,211

For the period ended 30 June 2008, no diluted loss per share has been presented because the Company's outstanding share options are anti-dilutive.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group disposed of certain plant and machinery with a carrying amount of US$302,858 (2007: Nil) for proceeds of US$269,065 (2007: Nil), resulting in a loss on disposal of US$33,793 (2007: Nil).

In addition, the Group spent approximately US$4,546,000 (1.1.2007 to 31.12.2007: US$13,904,000) as additions to manufacturing plant in the PRC, in order to expand its manufacturing capabilities. Of the amount, approximately US$961,000 (1.1.2007 to 30.6.2007: US$2,164,000) was transferred from deposits paid for acquisition of property, plant and equipment.

During the Period, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to operating loss. Accordingly, an impairment loss of US$1,838,871 (2007: Nil) has been recognised in respect of machinery and equipment, which are used in the Group's rigid printed circuit board assembly segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 8.5% (2007: Nil) per annum in relation to machinery and equipment.

9. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	As at 30 June 2008 *US$* *(unaudited)*	**As at 31 December 2007** *US$* *(audited)*
Trade receivables:		
0 - 30 days	15,974,040	36,963,079
31 - 60 days	9,914,281	11,408,044
61 - 90 days	9,103,171	10,015,531
91 - 120 days	4,395,590	6,000,617
121 - 150 days	240,871	1,332,570
Over 150 days	7,747,047	2,625,345
	47,375,000	68,345,186
Other receivables	10,950,179	17,971,115
	58,325,179	86,316,301

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance date:

	As at 30 June 2008 *US$* *(unaudited)*	As at 31 December 2007 *US$* *(audited)*
Trade payables:		
0 - 90 days	26,388,212	50,314,839
91 - 120 days	4,183,046	8,868,217
121 - 180 days	5,685,095	4,744,957
181 - 365 days	13,047,676	4,215,641
Over 365 days	3,799,755	1,716,790
	53,103,784	69,860,444
Other payables	12,200,257	14,114,868
	65,304,041	83,975,312

11. BANK BORROWINGS

During the Period, the Group obtained new bank loans amounting to approximately US$39,634,000 as additional working capital and made repayment of approximately US$60,260,000. The loans carry interest at rates ranging from 5.23% to 8.5% per annum and are repayable in instalments within one year.

12. SHARE CAPITAL

	Number of shares	Nominal value
		HK$
Ordinary shares of HK$0.1 each		
Authorised:		
As at 1 January 2007, 30 June 2007, 31 December 2007 and 30 June 2008	5,000,000,000	500,000,000

	Number of shares	Share capital
		HK$
Issued and fully paid:		
At 1 January 2007, 30 June 2007 and 31 December 2007	1,250,000,000	125,000,000
Issue of shares (note)	250,000,000	25,000,000
At 30 June 2008	1,500,000,000	150,000,000
Shown in the condensed consolidated financial statements as		US$19,354,839

Note: On 21 May 2008, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 250,000,000 new shares of the Company for an aggregate consideration of HK$36,500,000 (equivalent to US$4,709,679) at a subscription price of HK$0.146 per subscription share.

13. CAPITAL RESERVE

During the period ended 30 June 2008, a controlling shareholder of the Company bestowed 26,600,000 ordinary shares in the Company to several employees of the Company. This transaction falls within one of the three types of share-based payment transaction — equity-settled share-based payment transaction and the Company measured the services rendered, and the corresponding increase in equity directly, at the fair value of the shares given.

14. SHARE-BASED PAYMENTS

The Company has adopted a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
outstanding at the beginning and the end of the Period	92,000,000

The estimated fair value of the options granted on the grant date was HK$11,386,000. The fair value for share options granted were calculated using the Black-Scholes option pricing model. The input into the model were as follows:

Grant date share price	HK$0.28 - HK$0.49
Exercise price	HK$0.47 - HK$0.52
Expected life	2.5 - 3.5 years
Expected volatility (note)	50.73% - 64.04%
Dividend yield	7.29% - 8.62%
Risk-free interest rate	1.93% - 4.06%

The Group recognised an expense of approximately US$92,000 (2007: US$794,000) for the Period in relation to the share options granted, with a corresponding credit to the share options reserve. The vesting period of the shares options is eleven-day period to 3 years from the date of grant.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to the share options reserve.

Note: Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

15. CAPITAL COMMITMENTS

	As at 30 June 2008 US$ (unaudited)	As at 31 December 2007 US$ (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	11,940,071	12,911,502

16. RELATED PARTY TRANSACTIONS

During the Period, the Group had the following significant transactions with related parties:

Name of related parties	Nature of transactions	Six months ended 30 June 2008 US$ (unaudited)	Six months ended 30 June 2007 US$ (unaudited)
Mr. Hsu Chung, a director	Rental paid	11,109	11,188
Mr. Lin Cheng Hung, a director	Rental paid	—	3,939
Chi Capital Partners Limited	Rental paid	29,419	—
	Consultancy fee paid	30,968	—

Chi Capital Partners Limited is beneficially owned by Mr. Wong Chau Chi, a director of the Company.

Compensation of key management personnel

The remuneration of directors and key executives of the Group, as determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to US$465,841 (2007: US$608,613).

17. POST BALANCE SHEET DATE EVENTS

(a) On 11 July 2008, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 90,000,000 new shares of the Company for an aggregate consideration of HK$10,800,000 at a subscription price of HK$0.12 per subscription share.

The subscription was completed on 21 July 2008. Details of the subscription are set out in the Company's announcement dated 11 July 2008.

(b) As set out in the prospectus issued by the Company on 16 September 2008 ("Prospectus"), the Company proposed to issue 636,000,000 shares (with up to 159,000,000 bonus warrants to be issued by the Company to the successful applicants of the offer shares pursuant to the open offer at an initial exercise price of HK$0.11 per warrant share (subject to adjustments) at any time during a period of 24 months from the date of issue of the warrants (the "Warrants")) at a subscription price of HK$0.10 each in the capital of the Company, by way of open offer in the proportion of two offer shares per every five ordinary shares of HK$0.10 each in the share capital of the Company (the "Offer Shares") (with the Warrants to be issued in the proportion of one Warrant for every four Offer Shares subscribed) held to the shareholders other than the non-qualifying shareholders as defined in the prospectus, whose names appear on the register of members of the Company at the close of business on the record date for determining the entitlements of the shareholders to participate in the rights issue.

The transaction has not yet been completed up to the date of this report. The estimated net proceeds of the rights issue will be approximately HK$60,400,000. The net proceeds are intended to be used as general working capital of the Group principally for its existing business. The Offer Shares, credited as fully paid, will rank pari passu in all respects with the then existing issued shares.

In addition, the Company proposed to reduce the nominal value of each share in issue from HK$0.10 to HK$0.01 (the "Adjusted Share") and cancel paid-up capital to the extent of HK$0.09 for each issued shares. Each authorised but unissued share is subdivided into ten Adjusted Shares of HK$0.01 each.

CHAIRMAN'S STATEMENT

Dear Shareholders:

The first six months in 2008 have been extremely difficult for the Company. Overall turnover of the Group has decreased by 52% to approximately US$ 69 million as compared with the corresponding period last year. The sharp decrease of turnover was caused by decrease in demand of our products in particular rigid printed circuit board assembly ("PCBA") which was down 76.9 % compared to the corresponding period of 2007. The flexible printed circuit board ("FPC") solutions represented 63.7% of total turnover and rigid printed circuit board ("PCB") solutions represented 36.3% of total turnover.

The management has already controlled vigorously the expenses, maintaining at low level of 4% for distribution costs, 9% for administration costs before making impairment loss on trade receivables. However, the costs of production have increased significantly due to Renminbi appreciation, sharp rises of raw material costs, high energy costs and high inflation for expenses. Some months we have seen the gross profits approaching to breakeven level.

We will continue to keep the costs of production and fixed overhead expenses down, while keep exploring the opportunities for increase of turnover, improve productivity and improve the product flows. While maintaining the internal operations to efficiency level we would also seek opportunities outside if there is any cooperation with other manufacturers to seek synergy effects, so as we can concentrate more to make specific products of PCB and FPC but at the same time more utilize the fixed costs of productions in our factories more effectively.

The demand has changed to higher layered, high technology on PCB due to the implementation of the Time Division-Synchronous Code Division Multiple Access ("TD-SCDMA") in the Peoples' Republic of China ("PRC"). Our company will explore and improve our technology level so as to improve the production line in order to make better quality products to suit the market and to improve our results.

REVIEW OF OPERATIONS

The principal activity of Global Flex Holdings Limited ("Company") is investment holding whilst its subsidiaries are mainly engaged in manufacture and trading of printed circuit boards and assembly.

During the six months ended 30 June 2008 ("Period"), the Company and its subsidiaries (collectively, the "Group") recorded a total turnover of approximately US$69.0 million, representing a decrease of approximately US$75.3 million (52.2%) as compared to the corresponding period of 2007, in which flexible printed circuit boards ("FPC") solutions decreased approximately US$28.6 million and rigid printed circuit boards ("PCB") solutions decreased approximately US$46.7 million. FPC solutions comprises the products of FPC and flexible printed circuit boards assembly ("FPCA"), while PCB solutions comprises the products of PCB and rigid printed circuit boards assembly ("PCBA"). The decline in turnover of FPC solutions was mainly due to the drop of market share of the major customers of the Group and the banks has tighten the credits for the Group which led to insufficient working capital. The decline in turnover of PCB solutions was mainly due to insufficient working capital and the Group has changed its operation mode.

FINANCIAL REVIEW

For the Period, the Group recorded a turnover of approximately US$69.0 million, gross loss of approximately US$19.2 million and loss of approximately US$37.3 million as compared to a turnover of approximately US$144.3 million, gross profit of approximately US$12.4 million and profit of approximately US1.8 million for the six months ended 30 June 2007, representing a decrease in turnover of approximately 52.2%, decrease in gross profit and profit of approximately 254.8% and 2,172.2% respectively.

Turnover

The turnover of the Group for the Period and the comparative figures of the corresponding period of 2007 classified by categories of the major operations are set out below:

Turnover by operations

	Six months ended 30 June 2008		**Six months ended 30 June 2007**		**Change**
	US$'000		*US$'000*		
	(unaudited)	%	*(unaudited)*	%	%
FPC solutions					
FPCA	35,249	51.0	60,424	41.9	(41.7)
FPC	8,757	12.7	12,168	8.4	(28.0)
Total FPC solutions	44,006	63.7	72,592	50.3	(39.4)
PCB solutions					
PCBA	10,260	14.9	44,469	30.8	(76.9)
PCB	14,775	21.4	27,281	18.9	(45.8)
Total PCB solutions	25,035	36.3	71,750	49.7	(65.1)
Total	69,041	100.0	144,342	100.0	(52.2)

The Group's turnover was mainly derived from the sales of FPC solutions and PCB solutions. With reference to the above table, turnover from the sales of FPC solutions and sales of PCB solutions for the Period were approximately US$44.0 million and US$25.0 million (2007: US$72.6 million and US$71.7 million) respectively, representing approximately 63.7% and approximately 36.3% of the total sales of the Group (2007: 50.3% and 49.7%) during the Period respectively.

During the Period, the turnover of FPCA decreased approximately US$25.2 million (41.7%), which was mainly due to further tightening of the Group's credit facilities by the banks. Net repayments of bank borrowings for the Period of approximately US$12 million, which has weakened the Group's liquidity and led to insufficient working capital for the purchase of raw materials. The Group has unconcluded purchase orders of approximately US$34.2 million. During the Period, turnover of FPC decreased approximately 3.4 million (28.0%), which was also due to insufficiency of working capital.

During the Period, the turnover of PCBA decreased approximately US$34.2 million (76.9%), which was mainly due to the change of the Group's operation structure of PCBA. During the six months ended 30 June 2007, the Group had increased the purchase of raw materials for the PBCA, however the demand from the market has changed and the purchase orders from customers dropped. As the Group had made over-significant provision of inventory for PCBA, the gross loss of PCBA increased substantially.

During the Period, the turnover of PCB decreased approximately US$12.5 million (45.8%). The main reason for the decrease is that it is difficult to make appropriate profit from the manufacture of PCB. Therefore, the Group decided to shift the product structure from traditional type of PCB to new type of eco-friendly printed circuit board. Eco-friendly printed circuit board is a new product for the market. The Group has procured the relevant manufacture equipments, and achieved the requirement of its customers. After the testing for the production of eco-friendly printed circuit board, the Group started to receive purchase orders from its customers for this product.

Gross profit margin by operations

	Six months ended 30 June 2008	**Six months ended 30 June 2007**
	%	%
FPC solutions		
FPCA	2.6	16.5
FPC	(27.4)	8.3
PCB solutions		
PCBA	(141.9)	4.6
PCB	(21.5)	(2.2)
Overall	(27.9)	8.6

The Group's total gross profit for all operations decreased from approximately US$12.4 million for the six months ended 30 June 2007 to gross loss of approximately US$19.2 million for the Period. The overall gross profit margin decreased from approximately 8.6% for the six months ended 30 June 2007 to gross loss of approximately 27.9% for the Period. The decrease was primarily due to the decrease of profit margin of PCBA from approximately 4.6% for the six months ended 30 June 2007 to gross loss of approximately 141.9% during the Period. Moreover, the gross loss margin of PCB decreased during the Period from approximately 2.2% for the six months ended 30 June 2007 to approximately 21.5%. Furthermore, the gross profit margin of FPC decreased from approximately 8.3% for the six months ended 30 June 2007 to gross loss of approximately 27.4% and the gross profit margin of FPCA decreased from approximately 16.5% for the six months ended 30 Jun 2007 to approximately 2.6% during the Period.

The decline in gross profit and gross profit margin of the Group were mainly due to the following reasons:

1. The banks further tightened the credit facilities, the Group had insufficient liquidity in working capital, which affect the payment schedule of purchase orders. The unconcluded purchase orders increased and the turnover decreased accordingly;

2. The production capacity was low, while the fixed manufacturing costs and labour costs increased;

3. Renminbi ("RMB") appreciated compared with US dollars ("USD"), which led to increase in manufacturing costs and labour costs denominated in RMB; and

4. In last year, the Group had purchased large volume of raw materials for PCBA, however, there were insufficient purchase orders from customers, which led to increase in obsolete stocks and weakened the turnover of the inventory. As a result, the Group had resold those stocks in lower price which does not include raw material contribution. Besides, the Group had made significant impairment loss for the doubtful debts during the Period, which led to a dramatical drop in gross profit of PCBA.

During the Period, as the Group's turnover and gross profit attributable had dramatically declined, the Group has introduced new operation modes as follows:

1. Actively develops global top customers in telecommunication, diversifies the risk of operations and creates high supplement values to the customers;

2. Introduces foreign-invested banks, expands development of new working capital;

3. Rises funds and Shareholders' base by issuance of new shares;

4. Modules products structure to improve the ability of profit generation by focus on development of rigid-flex printed circuits board and eco-friendly printed circuits board and outsourcing the purchase orders of rigid printed circuits board;

5. Simplifies the organization and controls the expenses;

6. Improves the relationship with major suppliers, in order to achieve better terms and conditions;

7. Reorganizes non-core business unit: PCBA; and

8. Seeks investing partners in order to perform strategic joint partnership or joint ventures.

Operating expenses

During the Period, the Group's distribution and selling expenses decreased by 30% to approximately US$2.7 million (six months ended 30 June 2007: 3.9 million), as a result of decrease in transportation costs. On the other hand, the product duties insurance were evaluated, the cost of insurance decreased and the Group had controlled the cost of sample, both led to a decrease in distribution and selling expenses.

During the Period, the Group's administrative expenses increased by 124% to approximately US$13.4 million (six months ended 30 June 2007: US$6.0 million). The substantial increase in administrative expenses was mainly due to impairment loss made for the doubtful debts of trade and other receivables in the amount of approximately US7.2 million. Moreover, the rental expenses for administrative increased. The appreciation of RMB compared with US$ during the Period led to significant increase in exchange loss in the Group's turnover.

The finance costs decreased by 42% to approximately 2.6 million (six months ended 30 June 2007: US$4.4 million) during the Period, the banks in the PRC had further tightened the Group's credit facilities, which led to a reduction in the principal of the bank borrowings and the finance costs decreased accordingly.

Liquidity and financial resources

As at 30 June 2008, the Group had shareholders' funds of approximately US$65.4 million. Current assets amounted to approximately US$83.2 million. It mainly comprises bank balances and cash of approximately US$2.4 million, pledged bank deposits of approximately US$5.4 million, inventories of approximately US$16.6 million and trade and other receivables of approximately US$58.3 million. Current liabilities amounted to approximately US$120.2 million. It mainly comprises bank borrowings of approximately US$52.4 million and trade and other payables of approximately US$67.6 million. The Group had reduced total borrowings by US$16.7 million from approximately US$69.1 million as at 31 December 2007 to approximately US$52.4 million as at 30 June 2008.

As at 30 June 2008, the Group's current ratio was 0.69 (2007: 1.13) and the gearing ratio (a ratio of total loans to total assets) was 28.2% (2007: 37.2%).

As at 30 June 2008, the Group's bank loan balance was about US52.4 million, all loans were fixed rate borrowings which carried interest ranging from 5.23% to 8.50% per annum.

Foreign exchange exposure

For the Period, most assets, liabilities and transactions of the Group are denominated in RMB, Hong Kong Dollars ("HKD") and US$. The management believes that foreign exchange risk does not affect the Group since RMB has generally appreciated comparing with HKD and US$. The sales and purchases in US$ substantially hedged the risks of the transactions in foreign currency and the Group did not make any other hedging arrangement during the Period.

SEGMENTAL INFORMATION

Details of segmental information of the Group for the Period are set out in note 3 to the condensed consolidated financial statements.

EMPLOYEE ENEFITS

For the Period, the average number of employees of the Group was approximately 5,000 (2007: 6,000), and the Group's staff costs amount to approximately US$ 4.9 million (six months ended 30 June 2007: US$6.8 million). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the Period, the Company had not granted any share options (six months ended 30 June 2007: 62,500,000) 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.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

During the Period, the Group did not have any material acquisition or disposals of subsidiaries or associates.

CHARGE ON ASSETS

As at 30 June 2008, pledges of the Group's properties, trade receivables, bank deposits and prepaid lease payments amounted to approximately US$27.0 million, US$8.8 million, US$5.4 million and US$0.7 million respectively (2007: US$16.6 million, US$21.5 million, US$11.1 million and US$0.5 million) to secure bank borrowings.

CONTINGENT LIABILITIES

As at 30 June 2008, neither the Group nor the Company has any significant contingent liabilities (2007: Nil).

PROSPECTS

Given the Group has encountered difficulties in its operating environment and tight macro-economic policies of the government of the PRC, the Group will wrap up its business restructuring and embark on new business development. The Group has increased its focus on rigid-flex printed circuits technology for smart phone and become a key supplier and technology partner in the development of rigid-flex technology to the largest smart phone maker in Taiwan. Moreover, the Group has recently negotiated with smart phone makers in the USA, Japan and South Korea to be their qualified vendor. The Directors expects to ramp up considerable business volume with products focusing on rigid-flex and multilayer flex in the near future.

On the other hand, the Group is commencing production of a new type of eco-friendly printed circuit board with base material called aluminum foil substrate ("AFS"). As AFS can safely and reliably transfer large amounts of heat away from electronic devices that are both delicate and heat sensitive, potential application of AFS is numerous, including audio equipment, power equipment, mobile phones and computers. The Directors believe that the printed circuit board with AFS as the base material will bring considerable new business opportunities and income streams to the Group. Going forward, the Group intends to pursue more of such eco-friendly and renewable energy related technologies and is in the course of planning to set up a new business division dedicated to such endeavors.

In order to improve the Group's financial position, and to improve liquidity and cash flow to sustain the Group's further development, as announced by the Company on 26 August 2008, the Company will issue new shares in the form of an open offer with bonus warrants. This open offer would be made under the Group's general mandate and in accordance with the relevant requirements under the Listing Rules. The Directors may also consider other fund-raising exercise in the future in the form of convertible bonds and/or such other form as may be considered appropriate. In addition, the Group has been negotiating with the banks to restructure the Group's bank loans in order to strengthen the working capital of the Group.

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

During the Period, 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

During the Period, the Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the Period and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the Period.

CODE ON CORPORATE GOVERNANCE

During the Period, the Company has fully complied with the requirements under the Code Provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the Company had been deviated from the Code Provision A.2.1 of CG Code, as the roles of Chairman and Chief Executive Officer were not separate. With effect on 19 May 2008, Mr. Wong Chau Chi ("Mr. Wong") had been re-designated as the Chairman of the Company and Mr. Wong also remains as the Chief Executive Officer of the Company. According to the Code Provision A.2.1 of the CG Code, the roles of a chairman and a chief executive officer should be separate and should not be performed by the same individual. Given Mr. Wong has had extensive experience in the business of the Group and has performed satisfactorily since his joining of the Company in 2007, particularly in soliciting for possible new business opportunities and deducing the overall strategic plan for the future development of the Company, the Directors consider that it would benefit the Company if Mr. Wong is also in charge of overseeing the Company's operations as its chairman. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will regularly review the effectiveness of this arrangement.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

During the Period, the Company has complied with the provisions of Rule 3.10(1) and 3.10(2) of the Listing Rules that sufficient number of independent non-executive Directors have been appointed and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. With effect on 31 July 2008, Mr. Liao Kuang Sheng ("Mr. Liao") had resigned as independent non-executive Director of the Company. Mr. Liao had also resigned as member of the Audit Committee of the Company with effect from the same date. Following the resignation of Mr. Liao, the Company only has two independent non-executive Directors, namely Mr. Wang Wei Lin and Mr. Chow Chi Tong, and does not meet the requirements under Rule 3.10(1) of Listing Rules. The Board will appoint a new independent non-executive Director as soon as possible and in any event within the time period set forth in Rule 3.11 of the Listing Rules.

Furthermore, in compliance with the requirements of the CG Code and Rules 3.21 of the Listing Rules, 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 comprises Mr. Chow Chi Tong and Mr. Liao Kuang Shang, 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. With effect on 31 July 2008, the audit committee of the Company only has two members, namely Mr. Chou Tsan Hsiung and Mr. Chow Chi Tong, and does not meet the requirements under Rule 3.21 of the Listing Rules. The Board will appoint sufficient number of independent non-executive Directors to meet the minimum number of the members in the Audit Committee as soon as possible and in any event within the time period set forth in Rule 3.23 of the Listing Rules.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed, with the management, the accounting principles and policies, audit, internal controls and financial reporting adopted by the Group, and the unaudited interim financial report for the Period and recommended its adoption by the Board. In addition, the Company's auditor, Deloitte Touche Tohmatsu has reviewed the unaudited interim financial results for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements for the Period were approved by the Board on 25 September 2008.

By Order of the Board
Global Flex Holdings Limited
Wong Chau Chi
Chairman

Hong Kong, 25 September 2008

As at the date of announcement, the Board comprises four executive directors, namely Mr. Wong Chau Chi, Mr. Lin Cheng Hung, Mr. Hsu Chun and Mr. Huang Lien Tsung; four non-executive directors, namely Mr. Chou Tsan Hsiung, Mr. Nguyen Duc Van, Mr. Yang Yi and Dr Li Jun; and two independent non-executive directors, namely Mr. Wang Wei Lin and Mr. Chow Chi Tong.