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)

2005 ANNUAL REPORT

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Lin Cheng Hung *(Chairman)*
Mr. Hsu Chung
Mr. Huang Lien Tsung

Non-executive Directors

Mr. Lee Cheng Few
Mr. Chou Tsan Hsiung
Mr. Nguyen Duc Van

Independent Non-executive Directors

Mr. Wang Wei-Lin
Mr. Lee Ka Leung, Daniel
Mr. Tung Tat Chiu, Michael

Company Secretary and Qualified Accountant

Mr. Lee Wai Yin, ACCA, CPA

Authorised representative

Mr. Huang Lien Tsung
Mr. Lee Wai Yin

Auditors

Deloitte Touche Tohmatsu

Compliance Advisor

Goldbond Capital (Asia) Limited

Legal Advisor as to Hong Kong law

Chiu & Partners

Registered office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal office

Room 507, Tower Two, Lippo Centre
89 Queensway
Admiralty
Hong Kong
Tel: +852 3690 2589
Fax: +852 3690 2489

Stock Code: 471

Principal Share Registrar

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Dear shareholders:

On behalf of the Board of Directors, I am pleased to present the annual report of Global Flex Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2005.

2005 was the first year for the internationalisation of the Group and its listing on the Main Board of The Stock Exchange of Hong Kong Limited. 2005 was also a year in which the Group became more mature in operation with an even greater advancement in production technology of its rigid printed circuit boards ("PCB") and flexible printed circuit boards ("FPC") solutions.

BUSINESS REVIEW

During the financial year of 2005, the Group recorded a total turnover of approximately US$176.9 million, an increase of 6.74% from 2004. The increase was mainly attributable to PCB solutions whose turnover grew by 63.7% as a result of an increase in the market demand for the solutions and improvement in unit price for new products. For FPC solutions, several large international customers have been successfully developed. However, because of an unexpected delay in the launch of new products by certain key customers and a lower than expected volume for new products launched owing to market factors and shortage of some key component supplies, the Group experienced a decline in its results. Net profits for the year under review amounted to approximately US$14.2 million.

Nevertheless, with the development of new businesses, the Group took vigorous action to strengthen its production facilities and provide more integrated and comprehensive solutions to its customers. While becoming a leading player in flexible printed circuit boards in China, the Group has enhanced the operating team, management and corporate structure to increase production capacity and efficiency. Besides, it also imposed stringent control over expenses and budgets so as to create a favorable platform for the future development of the Company.

FUTURE PROSPECTS

Given the continued fast growth in the market demand for compact, thin, multi-functional and portable electronic devices, the Group will focus on the production, sales and assembly of FPC and PCB. Being one of the leading enterprises in the FPC industry, the Group has professional designers and unique production technologies to manufacture the most advanced multi-layer air-gap FPC to meet customers' demand for more advanced products.

1. **Exploring potential customers and diversification of operations**

   In the coming years, the Group's operating target is to effectively reduce reliance on any single customer. The Company has secured various large international customers and will continue to explore new potential customers in 2006. The Directors expect that these new customers will provide the Group with significant growth opportunities in the future. The Directors believe that the Group's quality products and efficient production provide the platform to build a more extensive customer base and to expand the scale of operation of the Group.

2. **The introduction of new technologies, the acquisition of new equipment and the upgrading of production capacity**

In order to offer higher quality products, increase production capacity and quality, and increase the production scale, the Group will acquire new FPC solution equipment for the production of compact printed circuit board products for liquid crystal display and camera modules. Currently, the FPC products manufactured by the Group are mainly used in handsets components such as hinge flex, keyboards and side-key boards. It is expected that the Group's competitiveness in securing orders will be enhanced following the introduction of these products to expand the Group's product offerings.

The Directors anticipate that the more advanced and contemporary handsets will use more and more high density interconnect ("HDI") PCB and rigid-flex and the demand of the Group's major customers for these products will also increase. Accordingly, in order to fulfill such expected demand and provide increasing value-added services to its customers, the Group will increase the acquisition of the HDI and rigid-flex production technology and equipment.

To expand its one-stop services ranging from components to assembly and manufacturing to strive for more businesses from its existing customers and to secure new customers, the Group intends to expand the scale of production and scope of operations to the assembly of electronic component modules or supporting finished products.

In realising the aforementioned strategies, the Group has established Suzhou Intellicircuit Solution Technology Co., Ltd (蘇州佳茂科技有限公司) in late 2005 and Forever Jade Electronics (Suzhou) Co., Ltd (佳永電子(蘇州)有限公司) in early 2006 for the production and assembly of high quality FPC, HDI PCB and rigid-flex.

3. **Investment plan in Northern China**

To better serve its customers in Northern China and Korea, previously the Group has decided to construct a factory in Northern China. The Group has previously identified a suitable piece of land and has been evaluating operational considerations such as labour costs and climate (which impacts transportation and operation costs). The evaluation indicated that labour and transportation costs are higher than those expected. Accordingly, this plan has been postponed for further evaluation. On the other hand, the Group's major competitor is increasing its production capacity in Suzhou. Therefore, the Group is considering whether to first apply the planned funds for the Northern China investment plan to expand its operations in Suzhou so as to strengthen its competitiveness, to retain existing customers and to secure new customers. Relevant announcement will be made once decision has been finalised.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to business partners, customers and shareholders of Global Flex for their support. On behalf of the Board of Directors, I would like to express by heartfelt thanks to the Global Flex staff team for their loyalty and dedication and wish we will achieve even greater success together.

For and on behalf of the Board

Lin Cheng Hung
Chairman
Hong Kong, 25 April 2006

INDUSTRY REVIEW

Printed circuit boards, including flexible printed circuit boards ("FPC") and rigid printed circuit boards ("PCB"), are one of the fundamental components found in most electronic products such as mobile phones, digital cameras, computer products and consumer electronics products. To accommodate miniaturisation and increasing number of components of electronic devices, the FPC and PCB require finer circuitry and more layer count. The industry continued to grow in 2005 but competition has also intensified and competitors have expanded their production capacity. More and more FPC and PCB facilities are being established in China and FPC and PCB solution providers in China are becoming more competitive in the world.

BUSINESS/OPERATION REVIEW

The Group is principally engaged in the provision of FPC solutions and PCB solutions. The FPC solutions of the Group are targeted at the medium-end of the market and its PCB solutions currently rank towards the low-end of the products in 2005. Despite the delay in receiving new orders from a major customer and certain other customers, the Group's turnover was still able to gain an increase as a result of the business relationship established with certain new customers and the receipt of increased orders from existing customers. In addition, the Group has improved its production technology, such as capability to produce FPC for liquid crystal display ("LCD") and camera module and high density interconnect ("HDI") PCB. It is expected that the higher value-added products will bring significant contribution to the Group's turnover in near future.

Expansion of customer base

In 2005, the Group not only has maintained its existing customer base but also has expanded its customer base. The Group made significant inroads into some key targeted accounts of some major handset customers including obtaining official vendor status of one famous Korea customer during 2005. The Directors estimated that contribution from new customers would become more significant in the coming year and the Group's reliance on its major customers would reduce in the future.

Improvement of production technology for different products

1) ***High speed automated line for FPC***

The Group has improved the production technology for air gap FPC. The capacity standard has been improved to produce FPC with fine line. To further enhance the Group's production facilities, the Group will acquire Roll to Roll machineries in coming year. These machineries automate various manufacting processes of FPC production which can increase the quality and output of production. The Group expects the market demand for fine line and spacing of FPC to increase in the coming years.

2) ***HDI PCB***

HDI PCB products offer significant development potential in the PCB market. The Group began the trial production of HDI PCB in 2005 and has successfully mastered the technological know-how required for a stabilised production of HDI products. To meet the demand for mass production and higher layer count HDI PCB, the Group plans to purchase more high speed and automated equipment such as laser drill machines and wet process equipment.

3) *Surface Mount Technology ("SMT") solution*

The Group has expanded its SMT manufacturing facilities during 2005. In the past, the Group's assembled products are mainly flexible printed circuit boards assembly ("FPCA") and rigid printed circuit boards assembly ("PCBA"). Since the third quarter of 2005, the Group has begun to assemble finished electronic products such as mobile phones and digital cameras.

Growth in capacity and high utilization

The Group has increased the number of surface mounting machinery from 45 to 59 during the second half of 2005. Except for the SMT, the production capacity of FPC and PCB are maintained at the same level since the Listing Date. The Group's production for FPC has not reached its full capacity while the Group's average production capacity for PCB and SMT has almost reached its full capacity in 2005.

FINANCIAL REVIEW

For the financial year ended 31 December 2005, the Group recorded a turnover of approximately US$176.9 million and profit for the year of approximately US$14.2 million as compared to turnover of approximately US$165.7 million and profit of approximately US$25.1 million for the year ended 31 December 2004, representing an increase of approximately 6.7% and a decrease of approximately 43.5% respectively. Earning per share was approximately US1.3 cents (2004: approximately US2.5 cents) and net assets per share of the Company was approximately US8.4 cents (2004: approximately US5.8 cents).

Turnover

The turnover of the Group for the year ended 31 December 2005 and the comparative figures of 2004 classified by categories of the major products are set out below:

Turnover by operations

	2005		2004		**Change**
	US$'000	**%**	US$'000	%	**%**
FPC solutions					
FPCA	**99,081**	**56.0**	118,272	71.4	(16.2)
FPC	**17,054**	**9.6**	10,341	6.2	64.9
Total FPC solutions	**116,135**	**65.6**	128,613	77.6	(9.7)
PCB solutions					
PCBA	**10,243**	**5.8**	2,878	1.7	256.0
PCB	**50,522**	**28.6**	34,241	20.7	47.5
Total PCB solutions	**60,765**	**34.4**	37,119	22.4	63.7
Total	**176,900**	**100.0**	165,732	100.0	6.7

The Group's turnover was mainly derived from sales of FPCA and PCB. With reference to the above table, turnover from sales of FPCA and sales of PCB for the year ended 31 December 2005 were approximately US$99.1 million and US$50.5 million (2004: US$118.3 million and US$34.2 million) respectively, representing approximately 56.0% and approximately 28.6% of the total sales of the Group (2004: 71.4% and 20.7%) respectively.

The decrease in sales of FPCA by 16.2% in 2005 was primarily due to delay in the launch of new products by certain key customers and a lower than expected volume for new products launched owing to market factors and shortage of key component supplies. This reflected the sensitivity of the Group's turnover relating to the sales to some major customers. The Directors believe that the expansion of customers base can mitigate this risk of the Group. The delayed orders of new products have gradually been received by the Group during the first quarter of 2006.

On the other hand, the sales of PCB and PCBA increased by about 47.5% and 256.0% respectively in 2005. These increases were primarily due to the growing market demand and increase in unit price for new products of PCB solution. The growth in market demand was represented by increased demand from some existing customers for products such as cable modem products.

Gross profits by operations

	2005	2004
	%	%
FPC solutions		
FPCA	**22.9**	31.3
FPC	**8.8**	10.7
PCB solutions		
PCBA	**8.8**	8.1
PCB	**4.6**	2.6
Overall	**15.5**	23.7

The Group's gross profit decreased from approximately US$39.3 million for the year ended 31 December 2004 to approximately US$27.5 million for the year ended 31 December 2005. The decrease in gross profit was primarily due to an unexpected delay of sales of FPC solution with higher profit margin. The lower than expected utilization rate of the manufacturing equipment also resulted in increase in average unit costs.

The gross profit ratio of PCBA and PCB increased due to the increase in the demand for higher margin products and improved product mix of the Group with new products of higher unit price and margin during the year.

Operating expenses

As the Group's sales only slightly increased during the year, distribution costs for the year ended 31 December 2005 decreased by approximately 15.7% to approximately US$3.4 million, as compared to that of approximately US$4.1 million for the year ended 31 December 2004. The decrease in distribution costs was primarily due to better consolidation of sales forces and better sales and marketing management. In addition, the decrease was attributable to a decrease in sales commission paid by the Group during the year. The other items comprising the distribution costs were in line with the level of turnover.

The administrative expenses for the year ended 31 December 2005 increased by approximately 54.7% to approximately US$7.1 million as compared to that of approximately US$4.6 million for the year ended 31 December 2004. The significant increase was mainly due to listing expenses incurred and increase in staff costs during the year.

Liquidity and financial resources

On 10 October 2005, the Company successfully listed its shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") through a placing of 218,750,000 new shares and a public offer of 31,250,000 new shares at an issue price of HK$1.02 per share. The net proceeds amounted to approximately US$30.6 million.

As at 31 December 2005, the Group had shareholders' funds of approximately US$104.7 million. The increase from approximately US$57.6 million as at 31 December 2004 was mainly attributable to profit for the year and issue of new shares through listing. Current assets amounted to approximately US$180.4 million mainly comprises bank balances and cash of approximately US$46.3 million, pledged bank deposits of approximately US$28.6 million, inventories of approximately US$32.7 million and trade receivables of approximately US$67.5 million. Current liabilities amounted to approximately US$139.3 million mainly comprises bank loans of approximately US$83.6 million and trade payables of approximately US$41.7 million. Non-current liability only includes long term bank loan amounted to approximately US$4.9 million.

During the year, the Group's cash and bank balances increased partly from net proceeds from the new issue in connection with the listing which were earmarked for the purchase of machinery and equipment for the Group's Suzhou plant and the development of the Northern China plant as disclosed in the Company's prospectus dated 28 September 2005 (the "Prospectus"). The Group has increased total borrowing by US$39.7 million for business expansion and investment in the Group's production capacity as described under the section headed "Prospects and future plans for material investments or capital assets" in this annual report.

As at 31 December 2005, the Group's current ratio was 1.30 (2004: 1.00) and the gearing ratio (a ratio of total loans to total assets) was 35.6% (2004: 28.9%).

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 68% and 32% respectively for the year ended 31 December 2005 (2004: 65% and 35%). The purchases in US dollar and RMB represented approximately 59% and 41% respectively for the year ended 31 December 2005 (2004: 61% and 39%). 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 2005.

SEGMENTAL INFORMATION

As at 31 December 2005, detail segmental information of the Group is set out in note 7 to the financial statements.

EMPLOYEE BENEFITS

For the year ended 31 December 2005, average number of employees was approximately 5,700 (2004: approximately 5,000). For the year ended 31 December 2005, the Group's staff costs (excluding Directors' fees and emoluments) amounted to approximately US$18.7 million (2004: US$14.0 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 not granted any 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$1.9 million (2004: US$0.9 million) to the scheme.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

For year ended 31 December 2005, the Group did not have any material acquisition and sale of subsidiaries and associated companies save for the corporate reorganisation undertaken in preparation for the listing of the shares of the Company on the Stock Exchange as more particularly described in the Prospectus.

CHARGE ON ASSETS

As at 31 December 2005, pledges of the Group's properties, trade receivable, bank deposits and prepaid lease payment amounted to approximately US$31.7 million, US$7.2 million, US$28.6 million and US$0.3 million respectively (2004: US$32.6 million, US$6.1 million, US$8.2 million and US$ Nil) to secure bank borrowings.

CONNECTED TRANSACTIONS

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

Lease of apartments by Mr. Hsu Chung to the Group

佳通科技（蘇州）有限公司 (Global Flex (Suzhou) Co., Ltd.) ("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$18,089. (2004: US$15,622).

Purchase of materials from Beshine Technologies Inc. ("Beshine")

The amount of the Group's purchases of raw materials from Beshine, a wholly-owned subsidiary of Burda Enterprise Inc., which is in turn a company controlled by a Director, being Mr. Lin Cheng Hung, and his associates, was approximately US$0.6 million (2004:US$11 million) for the year ended 31 December 2005. These transactions with Beshine has been discontinued since April 2005 as disclosed in the Prospectus.

Except for the above, no other continuing connected transactions occurred during the year under review.

The independent non-executive Directors confirm that the transactions 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 agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINGENT LIABILITIES

As at 31 December 2005, the Group or the Company did not have any significant contingent liabilities. (2004: Nil)

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

1. **Exploring potential customers and diversification of operations**

   In the coming years, the Group's operating target is to effectively reduce reliance on any single customer. The Company has secured various large international customers and will continue to explore new potential customers in 2006. The Directors expect that these new customers will provide the Group with significant growth opportunities in the future. The Directors believe that the Group's quality products and efficient production provide the platform to build a more extensive customer base and to expand the scale of operation of the Group.

2. **The introduction of new technologies, the acquisition of new equipment and the upgrading of production capacity**

In order to offer higher quality products, increase production capacity and quality, and increase the production scale, the Group will acquire new FPC solution equipment for the production of compact printed circuit board products for LCD and camera modules. Currently, the FPC products manufactured by the Group are mainly used in handsets components such as hinge flex, keyboards and side-key boards. It is expected that the Group's competitiveness in securing orders will be enhanced following the introduction of these products to expand the Group's product offerings.

The Directors anticipate that the more advanced and contemporary handsets will use more and more HDI PCB and rigid-flex and the demand of the Group's major customers for these products will also increase. Accordingly, in order to fulfill such expected demand and provide increasing value-added services to its customers, the Group will increase the acquisition of the HDI and rigid-flex production technology and equipment.

To expand its one-stop services ranging from components to assembly and manufacturing to strive for more businesses from its existing customers and to secure new customers, the Group intends to expand the scale of production and scope of operations to the assembly of electronic component modules or supporting finished products.

In realising the aforementioned strategies, the Group has established Suzhou Intellicircuit Solution Technology Co., Ltd (蘇州佳茂科技有限公司) in late 2005 and Forever Jade Electronics (Suzhou) Co., Ltd (佳永電子(蘇州)有限公司) in early 2006 for the production and assembly of high quality FPC, HDI PCB and rigid-flex.

3. **Investment plan in Northern China**

To better serve its customers in Northern China and Korea, previously the Group has decided to construct a factory in Northern China. The Group has previously identified a suitable piece of land and has been evaluating operational considerations such as labour costs and climate (which impacts transportation and operation costs). The evaluation indicated that labour and transportation costs are higher than those expected. Accordingly, this plan has been postponed for further evaluation. On the other hand, the Group's major competitor is increasing its production capacity in Suzhou. Therefore, the Group is considering whether to first apply the planned funds for the Northern China investment plan to expand its operations in Suzhou so as to strengthen its competitiveness, to retain existing customers and to secure new customers. Relevant announcement will be made once decision has been finalised.

EXECUTIVE DIRECTORS

Mr. Lin Cheng Hung（林正弘）, aged 39, was appointed as an executive Director in August 2004 and is currently the Chairman of the Board. Mr. Lin is responsible for the overall business development operation strategy of the Group. Mr. Lin has over 9 years of experience in the printed circuit board industry. Mr. Lin was a director of Vertex Precision Electronics Inc. ("**Vertex**"), the indirect controlling Shareholder of the Company and whose shares are traded on Gretai Securities Market of the Republic of China（中華民國證券櫃檯買賣中心）("**Gretai Securities Market**"), during the period from 6 January 1990 to 8 July 2005 and he is currently a shareholder of Vertex. Mr. Lin has also been acting as a director of King Polytechnic Engineering Co., Ltd., whose shares are traded on the Gretai Securities Market, since August 1998. Save as aforesaid, Mr. Lin had not held any position nor directorship in other listed companies in the three preceding years. Mr. Lin is the brother of Ms. Lin Yi Ting, who is the chief financial officer of the Group.

Mr. Hsu Chung（徐中）, aged 54, was appointed as an executive Director in June 2005. Mr. Hsu is also the chief operating officer of the Company and is responsible for the marketing and product development of the Group. Mr. Hsu graduated with a bachelor degree in 航海系 (Navigation Science) from 台灣省立海洋學院 (National Taiwan Ocean University). Mr. Hsu has over 19 years of experience in the printed circuit board industry. From 1986 to 1990 and from 1992 to 1999, Mr. Hsu worked for Multi-Fineline Electronix, Inc. as a production manager in the United States of America. From 1997 to 1999, prior to joining the Group in April 1999, Mr. Hsu worked as the general manager of Multi-Fineline Electronix (Suzhou) Co., Ltd. Mr. Hsu had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Huang Lien Tsung（黃聯聰）, aged 47, was appointed as an executive Director in June 2005. Mr. Huang is also the chief executive officer of the Company. Since his joining of the Group in October 2004, Mr. Huang is responsible for the financial and administration management and investment issues of the Group. Mr. Huang is currently a director of Value Manage International Limited, a wholly-owned subsidiary of the Company. Mr. Huang graduated with a bachelor degree in Accountancy from 中國文化大學 (Chinese Culture University) and a master degree in International Business from 國立台灣大學 (National Taiwan University). Prior to joining the Group in October 2004, he worked in 鉅國創業投資顧問股份有限公司 (Giga Venture Partners & Co) as a director since August 2001 and as a general manager since October 2001 until October 2004 during which he was responsible for major investment decision making. Mr. Huang had been the assistant general manager of Hotung Investment Holdings Limited, a company whose shares are listed on the Singapore Exchange Securities Trading Limited, for around 6 years and he had worked for several manufacturing companies for around 11 years. Mr. Huang is currently an independent director of WINSTEK Semiconductor Corporation（台耀電子股份有限公司）, whose shares are traded on the Gretai Securities Market, and of Everspring Industry Co., Ltd（雲辰電子開發股份有限公司）, a company listed on the Taiwan Stock Exchange Corporation. Save as aforesaid, Mr. Huang had not held any position nor directorship in other listed companies in the three preceding years.

NON-EXECUTIVE DIRECTORS

Mr. Lee Cheng Few （李正福）, aged 67, was appointed as a non-executive Director of the Company in June 2005. Mr. Lee graduated with a doctoral degree in Philosophy from the State University of New York at Buffalo. Mr. Lee had been an assistant professor in Banking Finance Department of the University of Georgia from 1973 to 1976 and had subsequently worked in the department of finance of the University of Illinois as an associate professor from August 1976 to July 1978. Mr. Lee worked as a professor from August 1978 to June 1988 and as a visiting professor of the department of finance of the Chinese University of Hong Kong from August 1993 to June 1994. Mr. Lee was an independent supervisor of Megic Corporation from November 2003 to May 2005 and he is currently an independent supervisor of Vertex, the indirect controlling Shareholder of the Company. Save as aforesaid, Mr. Lee had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Chou Tsan Hsiung （周燦雄）, aged 63, was appointed as an independent non-executive Director in June 2005 and was subsequently re-designated as a non-executive Director in September 2005. Mr. Chou graduated with a bachelor degree in Laws from the National Chengchi University and is a member of Taipei Bar Association. Mr. Chou is currently a practicing lawyer in the Best Truth Law Firm in Taiwan. Mr. Chou's previously worked in the Legal Affairs Office of the Central Trust of China. Mr. Chou had not held any position nor directorship in other listed companies in the three preceding years..

Mr. Nguyen Duc Van, aged 62, was appointed as a non-executive Director in June 2005. Mr. Nguyen graduated with a bachelor of Science in Materials Engineering from Drexel University in the United States of America. Mr. Nguyen has over 19 years of experience in the information technology sector. Mr. Nguyen previously worked in Kyocera Wireless Corp. and worked as an engineer in Unisys in the United States of America. Mr. Nguyen had not held any position nor directorship in other listed companies in the three preceding years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Wei-Lin （王偉霖）, aged 34, was appointed as an independent non-executive Director in September 2005. Mr. Wang has obtained a degree in Juris Scientiae Doctoris (Doctor of Juridical Science) from the Washington University in St. Louis. Mr. Wang also graduated with a Master of Laws degree from the University of Pennsylvania and a bachelor degree in laws from the National Chengchi University. Mr. Wang is a certified attorney in Taiwan and the New York State of the United States of America. Mr. Wang is also a member of the Taipei Bar Association and American Bar Association. Mr. Wang is currently a practicing lawyer in Lee & Li Attorneys at Law. Mr. Wang had not held any position nor directorship in other listed companies in the three preceding years..

Mr. Lee Ka Leung, Daniel（李家樑）, aged 47, was appointed as an independent non-executive Director in June 2005. Mr. Lee graduated with a higher diploma in Accountancy from Hong Kong Polytechnic (later renamed as The Hong Kong Polytechnic University) and is a fellow of the ACCA and CPA (Practising) of HKICPA. Currently, Mr. Lee is also an independent non-executive director and a member of the audit committee of China Credit Holdings Ltd, a listed investment company on the Stock Exchange. Mr. Lee worked in Deloitte Haskins & Sells (later known as Deloitte Touche Tohmatsu) during the period from December 1983 to August 1986 and as an accountant in Swire Travel Limited for more than 2 years from September 1986 to March 1989. Mr. Lee has been in private CPA practice since 1992.

Mr. Tung Tat Chiu, Michael （佟達釗）, aged 44, was appointed as an independent non-executive Director in June 2005. Mr. Tung graduated with a Bachelor of Arts in Accounting and Law from the University of Manchester, the United Kingdom. Mr. Tung has approximately 16 years of experience as a practicing lawyer in Hong Kong. He is the company secretary of a number of listed companies in Hong Kong. Mr. Tung also acts as a non-executive director and an independent non-executive director of two other listed companies in Hong Kong.

SENIOR MANAGEMENT

Mr. Huangfu Ming (皇甫銘), 37, is the manufacturing director of the Group. Mr. Huangfu graduated from the Mechatronics 機電一體化 division of 華東工業學院 (East China Industrial College). Mr. Huangfu is responsible for all production-related issues regarding the FPC solutions operation of the Group. Mr. Huangfu has over 10 years of experience in the printed circuit board industry. Prior to joining the Group in April 1999, Mr. Huangfu has worked for Multi-Fineline Electronix (Suzhou) Co., Ltd. for over 4 years as a supervisor of the design department.

Ms. Lin Yi Ting (林儀婷) 40, is the chief financial officer of the Group and is responsible for overall operation and management of the finance department. Ms Lin graduated with an MBA degree from Woodbury University, USA in December 1994 and a master degree in Accounting from 國立台灣大學 (National Taiwan University) in June 2002. From May 1998 to October 2002, Ms. Lin has worked as manager in the finance and investment department of Vertex. Ms. Lin is currently a supervisor of a subsidiary of Vertex, namely 聯茂投資股份有限公司 (ITEQ Investment Co., Ltd.). Ms. Lin has worked for First Steamship Company Limited in Taiwan from February 2003 to August 2004 as financial manager. Since October 2002, Ms. Lin has joined the Group as a consultant and in August 2004, Ms. Lin became the chief financial officer of the Group. Ms. Lin is the sister of Mr. Lin Cheng Hung.

Mr. Fang Chang Fa (方長發) 47, is the general manager of the Company and is responsible for the management and supervision of sales and market development. Mr. Fang graduated with a bachelor of Chemical Engineering from 中原大學 (Chung Yuan Christian University). Mr. Fang has worked for several electronics manufacturing companies. Prior to joining the Group in January 2000, Mr. Fang has worked in Vertex as a production manager and a sales manager.

The board of directors of the Company ("Board") considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") for the period from 10 October 2005 (the date of listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong) to 31 December 2005 (the "Post Listing Period"). The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company in the Post Listing Period. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Post Listing Period.

BOARD OF DIRECTORS

Composition and role

As at the date of this report, the Board comprises:

Executive Directors:	Lin Cheng Hung *(Chairman)*
	Hsu Chung
	Huang Lien Tsung
Non-executive Directors:	Lee Cheng Few
	Chou Tsan Hsiung
	Nguyen Duc Van
Independent Non-executive Directors:	Wang Wei-Lin
	Lee Ka Leung, Daniel
	Tung Tat Chiu, Michael

The Board comprises three executive directors (one of whom is the Chairman) and six non-executive directors. Of the six non-executive directors, three of them are independent non-executive directors which represent one-third of the Board. In addition, one of the independent non-executive directors possesses appropriate professional accounting qualifications and financial management expertise.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee work.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation or confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules and the Company still considers such directors to be independent. The independent non-executive directors are explicitly identified in all corporate communications.

All directors are regularly updated on governance and regulatory matters. There is an established procedure for directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its directors.

The Board meets regularly throughout the Post Listing Period and up to date of this annual report to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The Chairman, being Mr. Lin Cheng Hung, is primarily responsible for drawing up and approving the agenda for each Board meeting in consultation with all directors. Notice of at least 14 days have been given to all directors for all regular Board meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries at the respective meetings and all directors have access to Board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

There is no relationship as between members of the Board.

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

During the Post Listing Period and up to the date of this annual report, two full Board meetings were held and the individual attendance of each director is set out below:

Name of director	**Number of Board meetings attended**	**Attendance rate**
Lin Cheng Hung *(Chairman)*	2/2	100%
Hsu Chung	2/2	100%
Huang Lien Tsung	2/2	100%
Lee Cheng Few	2/2	100%
Chou Tsan Hsiung	2/2	100%
Nguyen Duc Van	1/2	50%
Wang Wei-Lin	2/2	100%
Lee Ka Leung, Daniel	2/2	100%
Tung Tat Chiu, Michael	2/2	100%

Chairman and Chief Executive Officer

Three executive Directors, Mr. Lin Cheng Hung, Mr. Hsu Chung and Mr. Huang Lien Tsung, serve as the Chairman, the Chief Operating Officer and the Chief Executive Officer of the Company respectively. The Chairman is responsible for the overall business development operation strategy of the Group. The Chief Operating Officer is responsible for marketing and product development. The Chief Executive Officer is responsible for financial and administration management and investment issue of the Group.

Term of the Non-Executive Directors

Each of the non-executive directors and the independent non-executive directors of the Company has entered into a service contract with the Company for an initial term of one year. The term of each of the non-executive directors and the independent non-executive directors shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of their then current term of appointment, unless terminated by not less than three months' notice in writing served by either the respective non-executive director and independent non-executive director or the Company expiring at the end of the initial term or at any time thereafter. All of the non-executive directors of the Company are subject to the retirement by rotation and re-election provisions as contained in the articles of association of the Company and the Code.

Audit Committee

The Audit Committee was established in 2005 with written terms of reference and its members include:

Lee Ka Leung, Daniel *(Chairman of committee)*
Chou Tsan Hsiung
Tung Tat Chiu, Michael

All members of the Audit Committee are non-executive directors of the Company and a majority of them are independent non-executive directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. The Audit Committee also oversees the audit process and performs other duties as assigned by the Board.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the accounts for the year ended 31 December 2005.

During the Post Listing Period and up to date of this annual report, one Audit Committee meeting was held and the individual attendance of each member is set out below:

Name of director	Number of committee meetings attended	Attendance rate
Lee Ka Leung, Daniel	1/1	100%
Chou Tsan Hsiung	1/1	100%
Tung Tat Chiu, Michael	1/1	100%

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 with written terms of reference and the current members include:

Wang Wei-Lin *(Chairman of the committee)*
Chou Tsan Hsiung
Lee Ka Leung, Daniel
Tung Tat Chiu, Michael

All members of the Remuneration Committee are non-executive directors of the Company and a majority of them are independent non-executive directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The Remuneration Committee ensures that no director or any of his associate is involved in deciding his own remuneration.

In determining the emolument payable to directors and senior management, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The Remuneration Committee meets regularly to determine the policy for the remuneration of directors and assess performance of executive directors and certain senior management. During the Post Listing Period and up to date of this annual report, one Remuneration Committee meeting was held, the individual attendance of each member is set out below:

Name of director	Number of committee meetings attended	Attendance rate
Wang Wei-Lin	1/1	100%
Chou Tsan Hsiung	1/1	100%
Lee Ka Leung, Daniel	1/1	100%
Tung Tat Chiu, Michael	1/1	100%

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a director, and approving and terminating the appointment of a director. The Company has not established a any nomination committee. The Company currently does not have any plans to set up a nomination committee in view of the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background. During the Post Listing Period, no nomination of directors was performed by the Board.

AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by the auditors to the Group for the year ended 31 December 2005 is summarised as below:

Services	**Remuneration (US$)**
Audit services	90,323
Other advisory services - Reporting Accountant on Listing	329,677
	420,000

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial and operational functions.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2005, the directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

AUDITORS' STATEMENT

The auditors of the Company acknowledge their responsibilities in the auditors' report on the financial statements of the Group for the year ended 31 December 2005.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. Briefings and meetings with institutional investors and analysts are conducted regularly. The Company is committed to continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the executive directors and designated senior executives according to established practices and procedures of the Company.

For and on behalf of the Board

Lin Cheng Hung
Chairman
Hong Kong, 25 April 2006

The directors of the Company ("Directors") are pleased to present their first annual report and the audited consolidated financial statements for the year ended 31 December 2005.

CORPORATE REORGANISATION

The Company was incorporated in Cayman Islands on 22 July 2004 as an exempted company with limited liability. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company became the holding company of its then subsidiaries on 5 July 2005.

Details of the reorganisation are set out in note 1 to the consolidated financial statements.

The shares of the Company were listed on the Stock Exchange with effect from 10 October 2005 ("Listing Date").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 31 of the 2005 annual report of the Company ("2005 Annual Report") of which this report forms part.

The Directors now recommend, subject to approval of the shareholders at the forthcoming annual general meeting ("2006 AGM"), the payment of a final dividend of HK2.7 cents per share to the shareholders whose names appear on the register of members of the Company on 23 May 2006. Such dividends amount to US$4,355,000 in total.

Subject to the approval of the shareholders of the Company at the 2006 AGM, the final dividend is expected to be payable on or about 30 June 2006.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2006 AGM, the register of members of the Company will be closed from Thursday, 18 May 2006 to Tuesday, 23 May 2006, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 17 May 2006.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditures of approximately US$14 million on new machinery and equipment. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2005 amount to approximately US$32,205,000 which comprise retained profit and contributed surplus of approximately US$94,000 and US$32,111,000 respectively.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Lin Cheng Hung *(Chairman)*
Mr. Hsu Chung
Mr. Huang Lien Tsung

Non-executive directors

Mr. Lee Cheng Few
Mr. Chou Tsan Hsiung
Mr. Nguyen Duc Van

Independent non-executive directors

Mr. Wang Wei-Lin
Mr. Lee Ka Leung, Daniel
Mr. Tung Tat Chiu, Michael

In accordance with Article 112 of the Articles of Association, the office of all the Directors, namely Mr. Lin Cheng Hung, Mr. Hsu Chung, Mr. Huang Lien Tsung, Mr. Lee Cheng Few, Mr. Chou Tsan Hsiung, Mr. Nguyen Duc Van, Mr. Wang Wei-Lin, Mr. Lee Ka Leung, Daniel and Mr. Tung Tat Chiu, Michael, will end at the Annual General Meeting. Mr. Lee Ka Leung, Daniel, an independent non-executive Director, has given notice to the Company that he, due to personal reason, will not offer himself for re-election upon expiry of his office at the Annual General Meeting. All the other Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

To fill the place of Mr. Lee Ka Leung, Daniel, the Board has recommended that Mr. Chow Chi Tong be appointed as an independent non-executive Director by the Shareholders at the Annual General Meeting. The biographical details of Mr. Chow Chi Tong are set out in the circular of the Company despatched together with the 2005 Annual Report.

The term of office for each executive Director and independent non-executive Director is the period up to his retirement by rotation in accordance with the Company's articles of association.

Each of the non-executive directors and independent non-executive directors has entered into a service agreement with the Company for an initial period of one year commencing 1 July 2005, except Wang Wei-Lin's agreement commenced on 1 October 2005, and shall be renewable automatically for successive terms of one year each commencing from the next day after the expiy of their then current term of appointment unless terminated by either party by three months' prior written notice.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2005, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Lin Cheng Hung	The Company	Interest of controlled corporation (Note 2)	68,732,217 shares (L)	5.5%
	Vertex Precision Electronics Inc. ("Vertex")	Beneficial owner	1,653,222 shares of NT$10 each (L)	0.577%
	Chia-Tung Investment Co., Ltd.	Beneficial owner	1,000 shares of NT$10 each (L)	0.01%
	ITEQ Investment Co., Ltd.	Beneficial owner	1,000 shares of NT$10 each (L)	0.004%
	ITEQ Investment Co., Ltd.	Interest of spouse (Note 3)	1,000 shares of NT$10 each (L)	0.004%
Mr. Hsu Chung	Vertex	Beneficial owner	6,000 shares of NT$10 each (L)	0.0021%
Mr. Huang Lien Tsung	Vertex	Beneficial owner	15,000 shares of NT$10 each (L)	0.0052%
	Vertex	Interest of spouse (Note 4)	75,107 shares of NT$10 each (L)	0.0262%
Mr. Lee Cheng Few	Vertex	Beneficial owner	151,946 shares of NT$10 each (L)	0.0530%
	Vertex	Interest of spouse (Note 5)	433,018 shares NT$10 each (L)	0.1510%
Mr. Chou Tsan Hsiung	Vertex	Beneficial owner	97,000 each of NT$10 each (L)	0.0338%
	Vertex	Interest of spouse (Note 6)	141,842 shares NT$10 each (L)	0.0495%

Notes:

1. The letter "L" denotes the Directors' long positions in the shares of the Company or the relevant associated corporation.

2. Mr. Lin Cheng Hung is the registered shareholder of 50% of the interest in LPP Holding, which is a shareholder of the Company, and he is the sole director of LPP Holding. Under the SFO, Mr. Lin Cheng Hung is deemed to be interested in all the Shares held by LPP Holding.

3. These shares are registered under the name of Ms. Lin Ying-Chi, who is the wife of Mr. Lin Cheng Hung. Under the SFO, Mr. Lin Cheng Hung is deemed to be interested in all the shares in which Ms. Lin Ying-Chi is interested.

4. These shares are registered under the name of Ms. Chung Man-Chu, who is the wife of Mr. Huang Lien Tsung, Under the SFO, Mr. Huang Lien Tsung is deemed to be interested in all the shares in which Ms. Chung Man-Chu is interested.

5. These shares are registered under the name of Ms. Lee SCH Winne Chwen, who is the wife of Mr. Lee Cheng Few. Under the SFO, Mr. Lee Cheng Few is deemed to be interested in all the shares in which Ms. Lee SCH Winnie Chwen is interested.

6. These shares are registered under the name of Ms. Chou, Lee Hsiung Chiao, who is the wife of Mr. Chou Tsan Hsiung. Under the SFO, Mr. Chou Tsan Hsiung is deemed to be interested in all the shares in which Ms. Chou, Lee Hsiung Chiao is interested.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company or its associated corporations.

Other than as disclosed above, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2005 as required to be recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 27 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of the relevant interests and short positions in the Company.

Name of Shareholder	Capacity	Number of ordinary shares	Percentage of the issued share capital of the Company
Century Champion Group Limited (“Century Champion”) (note 2)	Beneficial owner	681,360,298 (L)	54.51%
	Beneficial owner	229,166,667 (S)	18.33%
Vertex Precision Electronics Inc. “Vertex”) (note 2)	Interest of controlled corporation	681,360,298 (L)	54.51%
	Interest of controlled corporation	229,166,667 (S)	18.33%
DBS Nominees Pte. Ltd. (“DBS”) (note 3)	Beneficial owner	54,466,268 (L)	4.36%
	Others	229,166,667 (L)	18.33%
DBS Bank Ltd (note 3)	Interest of a controlled corporation	54,466,268 (L)	4.36%
	Others	229,166,667 (L)	18.33%
DBS Group Holdings Ltd (note 3)	Interest of controlled corporations	54,466,268 (L)	4.36%
	Others	229,166,667 (L)	18.33%
LPP Holding (note 4)	Beneficial owner	68,732,217 (L)	5.5%
Lin Cheng Hung (note 4)	Interest of controlled corporation	68,732,217 (L)	5.5%
Lin Ying-Chi (note 5)	Interest of spouse	68,732,217 (L)	5.5%
Fang Chang Fa (note 6)	Interest of controlled corporation	68,732,217 (L)	5.5%
Sun Wen Hua (note 7)	Interest of spouse	68,732,217 (L)	5.5%
Deutsche Bank Aktiengesellschaft	Security interest	62,532,500 (L)	5%

Notes:

1. The letter "L" denotes the persons' long positions in the shares of the Company and the letter "S" denotes the person' short positions in the shares of the Company.

2. These 681,360,298 Shares (including the 229,166,667 Shares for the short position) were registered in the name of and beneficially owned by the Century Champion, the entire issued share capital of which is beneficially owned as to 93.28% by Vertex and 6.72% by Chia-Tung Investment Co. Ltd. Under the SFO, Vertex is deemed to have a long position in respect of the 681,360,298 Shares and a short position in respect of the 229,166,667 Shares held by Century Champion.

3. These 229,166,667 shares represent the maximum number of shares which Century Champion has an obligation to deliver to DBS as one of the compensation mechanisms pursuant to the consideration adjustment mechanism under the sale and purchase agreement dated 30 April 2005 (as supplemented by the DBS Supplemental Agreements (as defined in the Company's prospectus dated 28 September 2005 ("Prospectus"))) signed between, among others, Century Champion and DBS in respect of the shares in Pioneer Master Group Limited (which were exchanged for the shares pursuant to the Reorganisation) in the specified circumstances as stipulated in the agreement.

4. These 68,732,217 Shares are registered in the name of and beneficially owned by LPP Holding, the entire issued share capital of which is held as to 50% by Mr. Lin Cheng Hung, an executive Director, and 50% by Mr. Fang Chang Fa, the general manager of the Group.

5. Ms. Lin Ying-Chi is the spouse of Mr. Lin Cheng Hung. Under the SFO, Ms. Lin Ying-Chi is deemed to be interested in all the Shares Mr. Lin Cheng Hung is interested.

6. Mr. Fang Chang Fa is the registered shareholder of 50% of the interest in LPP Holding. Under the SFO, Mr. Fang Chang Fa is deemed to be interested in all the Shares held by LPP Holding.

7. Ms. Sun Wen Hua is the spouse of Mr. Fang Chang Fa. Under the SFO, Ms. Sun Wen Hua is deemed to be interested in all the Shares Mr. Fang Chang Fa is interested.

Other than as disclosed above, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the issued share capital and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2005.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 22% and 55% 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.

USE OF PROCEEDS RAISED BY ISSUE OF SHARES

The Company has issued an aggregate of 250,000,000 new shares by way of placing and public offer for subscription at a price of HK$1.02 per share in October 2005 in connection with its listing on the Stock Exchange on 10 October 2005. The net proceeds from such new issue ("Net Proceeds"), after deducting related expenses, amounted to approximately US$30.6 million (equivalent to approximately HK$236.8 million).

The Net Proceeds have been used in accordance with the section headed "Future plans and prospects and use of proceeds" set out in the Prospectus. It was stated that about US$10.0 million out of the Net Proceeds will be used for the purchase of machinery and equipment for the Group's Suzhou plant in expanding the Group's manufacturing facilities and about US$20.2 million out of the Net Proceeds will be used for the establishment of a new manufacturing plant for the production of flexible printed circuit boards ("FPC"), flexible printed circuit boards assembly ("FPCA"), rigid printed circuit boards ("PCB"), and rigid printed circuit boards assembly ("PCBA") in Northern China. The Directors believe that the establishment of a new manufacturing plant would increase the number of manufacturing facilities and capacity of the Group in order to meet the increase in its customers' demand and its plan to expand its customer base.

With a view to expand the Group's manufacturing facilities, the Company decided to increase the amount of Net Proceeds to be used for the purchase of machinery and equipment for the Group's Suzhou plant from US$10 million to US$13.6 million while the amount of Net Proceeds to be applied in the development of the Northern China plant will be about US$16.6 million. The Directors take the view that such revision to the use of the Net Proceeds is in the interest of the Company and its shareholders as a whole.

	Use of proceeds (as set out in prospectus)	Changes	Use of proceeds (revised)	Use of proceeds up to 31 December 2005 (actual)	Balance
	US$ (million)	US$ (million)	US$ (million)	US$ (million)	US$ (million)
Purchase of machinery and equipment for the Group's Suzhou Plant	10.0	3.6	13.6	(3.5)	10.1
Construction of a manufacturing plant for the production of FPC, FPCA, PCB and PCBA in Northern China	20.2	(3.6)	16.6	—	16.6
	30.2	—	30.2	(3.5)	26.7

For the year ended 31 December 2005, an amount of approximately US$13.6 million of the Net Proceeds was used as an additional capital contribution to Global Flex (Suzhou) in cash to be used in purchase of machines. Out of the above US$13.6 million, an amount of approximately US$3.5 million has been used to pay for the acquisition of machinery and equipment for the Group's Suzhou plant. Given that the actual Net Proceed amounted to US$30.6 million, the total remaining balance of the Net Proceeds of approximately US$27.1 million had been placed as short term deposits with licensed bank in Hong Kong and the PRC and is expected to be applied as disclosed in the Prospectus.

CONNECTED TRANSACTIONS

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

Lease of apartments by Mr. Hsu Chung to the Group

佳通科技（蘇州）有限公司 (Global Flex (Suzhou) Co., Ltd.) ("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$18,089. (2004: US$15,622).

Purchase of materials from Beshine Technologies Inc. ("Beshine")

The amount of the Group's purchases of raw materials from Beshine, a wholly-owned subsidiary of Burda Enterprise Inc., which is in turn a company controlled by a Director, being Mr. Lin Cheng Hung, and his associates, was approximately US$0.6 million (2004:US$11 million) for the year ended 31 December 2005. These transactions with Beshine has been discontinued since April 2005 as disclosed in the Prospectus.

Except for the above, no other continuing connected transactions occurred during the year under review.

The independent non-executive Directors confirm that the transactions 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 agreement 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.

CONTROLLING SHAREHOLDER'S AND DIRECTORS' INTEREST IN COMPETING BUSINESS

Vertex Precision Electronics Inc. ("Vertex", together with its subsidiaries, the "Vertex Group") is the holding company of Century Champion Group Limited, the current controlling shareholder of the Company. The Vertex Group (other than the Group) is principally engaged in the manufacture and sale of PCB, being one of the major products of the Group. In order to delineate the business of the Vertex Group and those of the Group and to regulate the business activities with their respective customers and amongst themselves, Vertex and the Company have given to each other certain non-compete undertakings under a territorial agreement dated 5 July 2005 made between the Company and Vertex ("Territorial Agreement"). A summary of the principal terms of the Territorial Agreement is set out in the Prospectus. To demonstrate its adherence to the non-compete undertakings contained in the Territorial Agreement, Vertex has confirmed to the Company as to its compliance with such undertakings during the year under review.

As referred to in the section headed "Directors' interests in shares" above, each of Mr. Lin Cheng Hung, Mr. Hsu Chung, Mr. Huang Lien Tsung, Mr. Lee Cheng Few and Mr. Chou Tsan Hsiung, each being a Director, was a shareholder of Vertex as at 31 December 2005. Such Directors are indirectly interested in the business carried on by the Vertex Group.

Save as disclosed, during the year, none of the directors had any interests in competing business of the Company which was required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 period from the Listing Date to 31 December 2005 and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

After the Listing Date, 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 Listing Rules. Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy shall hold office until the first general meeting after their appointment while the articles of association of the Company provides that any Director so appointed shall hold office until the next annual general meeting. Amendments to the relevant provision of the articles of association of the Company will be proposed at the Annual General Meeting to be held on Tuesday, 23 May 2006 so that the provisions of the articles of association of the Company will be consistent with Code Provision A.4.2.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, namely Messrs. Wang Wei-Lin, Lee Ka Leung, Daniel and Tung Tat Chiu, Michael, 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 comprises Mr. Lee Ka Leung, Daniel and Mr. Tung Tat Chiu, Michael, being independent non-executive Directors and Mr. Chou Tsan Hsiung, a non-executive Director. Currently, Mr. Lee Ka Leung, Daniel 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, comprises the three independent non-executive Directors, namely Mr. Wang Wei-Lin, Mr. Lee Ka Leung, Daniel and Mr. Tung Tat Chiu, Michael and one non-executive Director, Mr. Chou Tsan Hsiung. Mr. Wang Wei-Lin is the Chairman of the Remuneration Committee.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Director as at the date of this report, the Directors considered that the Company had maintained a sufficient public float since the Listing Date.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lin Cheng Hung
Chairman
Hong Kong, 25 April 2006

Deloitte.
德勤

TO THE MEMBERS OF GLOBAL FLEX HOLDINGS LIMITED
佳邦環球控股有限公司
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Global Flex Holdings Limited (the "Company") and its subsidiaries (the "Group") from pages 31 to 66 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion solely to you, as a body, in accordance with the agreed terms of the engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 April 2006

Consolidated Income Statement

For the year ended 31 December 2005

	NOTES	2005 US$	2004 US$
Revenue	6	**176,900,271**	165,732,442
Cost of sales		**(149,442,812)**	(126,452,796)
Gross profit		**27,457,459**	39,279,646
Other income	8	**2,481,529**	91,086
Distribution costs		**(3,444,525)**	(4,083,617)
Administrative expenses		**(7,051,578)**	(4,559,374)
Finance costs	9	**(3,019,681)**	(1,684,479)
Profit before taxation		**16,423,204**	29,043,262
Income tax expense	10	**(2,233,892)**	(3,936,830)
Profit for the year	11	**14,189,312**	25,106,432
Dividends	13	**4,355,000**	3,000,000
Basic earnings per share	14	**0.0134**	0.0251

Consolidated Balance Sheet

At 31 December 2005

	NOTES	2005	2004
		US$	US$
Non-current assets			
Property, plant and equipment	15	**65,967,552**	55,468,890
Prepaid lease payments	16	**1,233,441**	1,230,413
Deposits paid for acquisition of property, plant and equipment		**1,309,292**	645,657
Available-for-sale investment	17	**22,008**	22,008
		68,532,293	57,366,968
Current assets			
Inventories	18	**32,686,107**	30,094,162
Trade and other receivables	19	**72,728,968**	66,200,013
Prepaid lease payments	16	**21,678**	8,998
Amount due from ultimate holding company	20	**—**	67,015
Amounts due from related companies	21	**—**	144,954
Pledged bank deposits	22	**28,645,619**	8,174,302
Bank balances and cash		**46,318,124**	6,964,986
		180,400,496	111,654,430
Current liabilities			
Trade and other payables	23	**54,910,302**	55,388,862
Amount due to a related company	24	**—**	4,270,681
Dividend payable		**—**	626,600
Tax liabilities		**774,937**	2,325,556
Bank and other borrowings - due within one year	25	**83,578,112**	48,767,015
		139,263,351	111,378,714
Net current assets		**41,137,145**	275,716
Total assets less current liabilities		**109,669,438**	57,642,684
Non-current liability			
Bank and other borrowings - due after one year	25	**4,932,182**	—
		104,737,256	57,642,684
Capital and reserves			
Share capital	26	**16,129,032**	32,000,000
Reserves		**88,608,224**	25,642,684
		104,737,256	57,642,684

The financial statements on pages 31 to 66 were approved and authorised for issue by the Board of Directors on 25 April 2006 and are signed on its behalf by:

Lin Cheng Hung	Huang Lien Tsung
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Share capital US$	Share premium US$	Merger reserve US$ (note 1)	Statutory reserve US$ (note 2)	Exchange reserve US$	Accumulated profits US$	Total US$
At 1 January 2004	26,800,000	—	—	186,005	(8,094)	3,358,341	30,336,252
Profit for the year	—	—	—	—	—	25,106,432	25,106,432
Total recognised income and expense for the year	—	—	—	—	—	25,106,432	25,106,432
Issue of share of Global Technology International Limited ("Global Technology")	5,200,000	—	—	—	—	—	5,200,000
Dividend	—	—	—	—	—	(3,000,000)	(3,000,000)
Transfer	—	—	—	2,731,542	—	(2,731,542)	—
At 31 December 2004	32,000,000	—	—	2,917,547	(8,094)	22,733,231	57,642,684
Exchange differences on translation of foreign operations	—	—	—	—	1,157,596	—	1,157,596
Net income recognised directly in equity	—	—	—	—	1,157,596	—	1,157,596
Profit for the year	—	—	—	—	—	14,189,312	14,189,312
Total recognised income and expense for the year	—	—	—	—	1,157,596	14,189,312	15,346,908
Issue of shares at premium through initial public offer	3,225,806	29,677,418	—	—	—	—	32,903,224
Share issue expenses	—	(1,155,560)	—	—	—	—	(1,155,560)
Effect of Group Reorganisation	(31,987,096)	—	31,987,096	—	—	—	—
Effect of capitalisation issue	12,890,322	(12,890,322)	—	—	—	—	—
Transfer	—	—	—	1,671,280	—	(1,671,280)	—
At 31 December 2005	16,129,032	15,631,536	31,987,096	4,588,827	1,149,502	35,251,263	104,737,256

Notes:

1. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of Global Technology acquired pursuant to the Group Reorganisation.

2. Pursuant to the relevant regulations applicable to foreign investment enterprises established in the People's Republic of China (the "PRC"), Global Flex (Suzhou) Co., Ltd is required to transfer certain percent of its profit after taxation to the statutory reserve. The balances of the statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to offset accumulated losses or increase capital.

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	2005	2004
	US$	US$
OPERATING ACTIVITIES		
Profit before taxation	**16,423,204**	29,043,262
Adjustments for:		
Impairment of bad and doubtful debts	**741,702**	649,072
Write-back of allowance for bad debts	**(129,354)**	—
Write-down of inventories	**715,069**	1,108,277
Amortisation of prepaid lease payments	**9,811**	6,091
Finance costs	**3,019,681**	1,684,479
Interest income	**(242,603)**	(32,824)
Depreciation of property, plant and equipment	**6,162,268**	3,877,942
Listing expenses charged to the income statement	**1,192,831**	—
Operating cash flows before movements in working capital	**27,892,609**	36,336,299
Increase in inventories	**(3,307,014)**	(21,086,594)
Increase in trade and other receivables	**(7,141,303)**	(30,426,363)
Decrease (increase) in amount due from ultimate holding company	**67,015**	(67,015)
Decrease in amounts due from related companies	**144,954**	320,573
(Decrease) increase in trade an other payables	**2,010,047**	23,934,262
(Decrease) increase in amount due to a related company	**(4,270,681)**	3,253,673
Cash generated from operations	**15,395,627**	12,264,835
Income tax paid	**(3,784,511)**	(1,611,274)
NET CASH FROM OPERATING ACTIVITIES	**11,611,116**	10,653,561
INVESTING ACTIVITIES		
Increase in pledged bank deposits	**(20,471,317)**	(6,878,147)
Purchase of property, plant and equipment	**(18,641,607)**	(18,231,796)
Interest received	**242,603**	32,824
Proceeds from disposal of investments	**—**	62,825
NET CASH USED IN INVESTING ACTIVITIES	**(38,870,321)**	(25,014,294)

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	2005	2004
	US$	US$
FINANCING ACTIVITIES		
New bank and other borrowings raised	**185,137,800**	103,061,283
Net proceeds from new shares issue and listing	**30,554,833**	—
Repayment of bank and other borrowings	**(145,394,521)**	(85,868,286)
Interest paid	**(3,019,681)**	(1,684,479)
Dividend paid	**(626,600)**	(2,373,400)
Proceeds from issue of shares of a subsidiary	**—**	5,200,000
Repayment to ultimate holding company	**—**	(1,678,122)
NET CASH FROM FINANCING ACTIVITIES	**66,651,831**	16,656,996
NET INCREASE IN CASH AND CASH EQUIVALENTS	**39,392,626**	2,296,263
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**6,964,986**	4,668,723
Effect of foreign exchange rate changes	**(39,488)**	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**46,318,124**	6,964,986

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's ultimate holding company is Vertex Precision Electronics Inc. ("Vertex"), a company incorporated in Taiwan with limited liability on 6 January 1990, the shares of which are traded on Gretai Securities Market of the Republic of China.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on 5 July 2005. The shares of the Company were listed on the Stock Exchange on 10 October 2005 (the "Listing Date"). Details of the Group Reorganisation were set out in the prospectus issued by the Company, dated 28 September 2005.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements have been prepared using the principles of merger accounting basis in accordance with Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions".

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 34.

The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The financial statements are presented in the United States dollars, which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In 2005, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has early adopted all these new HKFRSs for the two years ended 31 December 2005, except for the following:

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) - INT 5	Rights to interests arising from Decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment[3]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economics[4]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis and in accordance with HKASs and HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their residual value, using the straight-line method.

Construction in progress are carried at cost, less any identified impairment losses. Depreciation of construction in progress commence when they are available for use (i.e. when they are in the location and condition necessary, for them to be capable of operating in the manner intended by management).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire medium-term leasehold land interests. The prepaid lease payments are stated at cost and are charged to the consolidated income statement over the period of the lease on a straight-line basis.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the tangible asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the tangible asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits scheme contributions

Payments to defined contribution retirement benefits scheme are charged as expenses as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including amount due to a related company and bank and other borrowings, trade payables and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management makes various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal , if the assets were already of the age and in the condition expected at the end of its useful life.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment on irrecoverable trade receivables

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified.

Inventory valuation method

Inventory is valued at the lower of the actual cost or net realisable value. Cost is determined using the weighted average method. Market price is generally the merchandise selling price quoted from the market of similar items. The Group reviews its inventory levels in order to identify slow-moving and obsolete merchandise. Where the Group identifies items of inventory having a net realisable value lower than its carrying amount, the Group will estimate the amount of inventory loss as write-down for inventory.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank deposits and balances, borrowings, trade receivables and trade payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In addition, the Company has concentration of credit risk by certain major customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by arranging banking facilities and other external financing. In the opinion of the directors of the Group, most of the borrowings that mature within one year are able to be renewed and the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's income and operating cash flows are substantially independent of change in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank balances and cash and bank borrowings. Bank loans at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank borrowings have been disclosed in note 25.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Hong Kong Dollars and Taiwan dollars, are required to settle the Group's expenses, purchases of plant and equipment and borrowings.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency debts or transactions. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

6. REVENUE

Revenue represents the amounts received and receivable for goods sold, less returns and allowances, to outside customers during the year, and is analysed as follows:

	2005	2004
	US$	US$
Flexible printed circuit boards	**17,053,763**	10,341,640
Rigid printed circuit boards	**50,522,526**	34,241,148
Flexible printed circuit boards assembly	**99,081,343**	118,271,937
Rigid printed circuit boards assembly	**10,242,639**	2,877,717
	176,900,271	165,732,442

7. 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
— Rigid printed circuit boards
— Flexible printed circuit boards assembly
— Rigid printed circuit boards assembly

7. SEGMENTAL INFORMATION *(continued)*

	Flexible printed circuit boards		Rigid printed circuit boards		Flexible printed circuit boards assembly		Rigid printed circuit boards assembly		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	US$	US$	**US$**	US$	**US$**	US$	**US$**	US$	**US$**	US$
REVENUE										
External sales	**17,053,763**	10,341,640	**50,522,526**	34,241,148	**99,081,343**	118,271,937	**10,242,639**	2,877,717	**176,900,271**	165,732,442
RESULTS										
Segment results	**1,171,323**	850,876	**1,360,877**	50,807	**20,781,036**	34,132,739	**699,698**	161,607	**24,012,934**	35,196,029
Unallocated corporate income									**2,481,529**	91,086
Unallocated corporate expenses									**(7,051,578)**	(4,559,374)
Finance costs									**(3,019,681)**	(1,684,479)
Profit before taxation									**16,423,204**	29,043,262
Income tax expense									**(2,233,892)**	(3,936,830)
Profit for the year									**14,189,312**	25,106,432
ASSETS										
Segment assets	**57,956,860**	45,014,741	**72,149,572**	43,827,115	**36,503,237**	63,216,744	**4,959,784**	1,719,024	**171,569,453**	153,777,624
Unallocated corporate assets									**77,363,336**	15,243,774
Consolidated total assets									**248,932,789**	169,021,398
LIABILITIES										
Segment liabilities	**18,378,971**	21,675,073	**10,454,291**	18,402,679	**14,977,514**	17,224,450	**11,099,526**	806,189	**54,910,302**	58,108,391
Unallocated corporate liabilities									**89,285,231**	53,270,323
Consolidated total liabilities									**144,195,533**	111,378,714
OTHER INFORMATION										
Impairment of bad and doubtful debts	**220,435**	40,848	**328,280**	136,159	**179,050**	458,450	**13,937**	13,615	**741,702**	649,072
Write-down for inventories	**381,104**	43,951	**256,028**	33,941	**77,838**	1,030,353	**99**	32	**715,069**	1,108,277
Capital additions	**4,058,592**	8,076,445	**1,819,319**	11,935,035	**1,085,162**	3,238,043	**8,526,292**	79,318	**15,489,365**	23,328,841
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	**2,080,190**	1,344,652	**3,020,837**	1,987,071	**872,008**	539,104	**199,044**	13,206	**6,172,079**	3,884,033

7. SEGMENTAL INFORMATION *(continued)*

Geographical segments

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

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

	2005	2004
	US$	US$
The PRC	**104,525,891**	118,786,565
Hong Kong	**30,839,311**	789,790
United States of America	**11,106,477**	9,813,147
South East Asia	**23,332,176**	32,361,101
Europe	**2,072,802**	390,401
The ROC	**1,502,234**	2,138,395
Others	**3,521,380**	1,453,043
	176,900,271	165,732,442

As at 31 December 2005 and 2004, 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.

8. OTHER INCOME

	2005	2004
	US$	US$
Interest income	**242,603**	32,824
Rental income	**7,398**	23,938
Sales of scrap materials	**660,244**	—
Tax incentive payment received	**1,201,399**	—
Net exchange gain	**74,698**	—
Write-back of other payables	**177,705**	—
Others	**117,482**	34,324
	2,481,529	91,086

9. FINANCE COSTS

	2005	2004
	US$	US$
Interest on:		
- bank borrowings wholly repayable within five years	**3,001,601**	1,656,084
- other borrowings	**18,080**	28,395
	3,019,681	1,684,479

10. INCOME TAX EXPENSE

No provision of Hong Kong Profits Tax has been made as the Group's profit neither arised in, nor derived from Hong Kong. The tax charge for the year is arising from the taxation on its subsidiaries located in the PRC.

Pursuant to the relevant laws and regulations in the PRC, Global Flex (Suzhou) Company Limited ("Global Flex (Suzhou)"), a PRC subsidiary of the Company is entitled to the exemptions from the PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from its first profit-making year and to a 50% relief from the FEIT for the following three years. Global Flex (Suzhou)'s first profit-making year is the year ended 31 December 2002. 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%.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005	2004
	US$	US$
Profit before taxation	**16,423,204**	29,043,262
Tax at the domestic income tax rate of 27%	**4,434,265**	7,841,708
Tax effect of income not taxable for tax purpose	**(437,843)**	(242,798)
Tax effect of expenses not deductible for tax purpose	**899,264**	1,258,957
Effect of tax exemptions granted to PRC subsidiaries	**(2,661,794)**	(4,921,037)
Tax charge for the year	**2,233,892**	3,936,830

The domestic income tax rate in the jurisdiction where the major operations of the Group is substantially based is used.

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

11. PROFIT FOR THE YEAR

	2005 US$	2004 US$
Profit for the year has been arrived at after charging and crediting:		
Staff costs, including directors' remuneration		
- salaries and allowances	**17,317,129**	13,509,935
- retirement benefits scheme contributions	**1,881,049**	914,813
Total staff costs	**19,198,178**	14,424,748
Auditors' remuneration	**111,918**	29,999
Impairment of bad and doubtful debts (included in administrative expense)	**741,702**	649,072
Write-down of inventories (included in administrative expense)	**715,069**	1,108,277
Amortisation of prepaid lease payments	**9,811**	6,091
Cost of inventories recognised as an expense	**102,506,757**	91,737,441
Depreciation of property, plant and equipment	**6,162,268**	3,877,942
Listing expenses charged to the income statement	**1,192,831**	—
Loans handling fee paid	**82,550**	108,290
Net exchange (gain) loss	**(63,774)**	79,426
Write-back of allowance for bad debts	**(129,354)**	—

12. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to each of the directors were as follows:

2005

	Lin Cheng Hung US$	Hsu Chung US$	Huang Lien Tsung US$	Lee Cheng Few US$	Chou Tsan Hsiung US$	Nguyen Duc Van US$	Wang Wei-Lin US$	Lee Ka Leung, Daniel US$	Tung Tat Chiu, Michael US$	Total US$
Fees	—	—	—	—	—	—	—	—	—	—
Other emoluments										
Basic salaries and allowances	128,081	157,834	58,631	11,613	11,613	11,613	5,806	11,613	11,613	408,417
Bonus	49,836	41,700	—	—	—	—	—	—	—	91,536
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—
Total emoluments	177,917	199,534	58,631	11,613	11,613	11,613	5,806	11,613	11,613	499,953

2004

	Lin Cheng Hung US$	Hsu Chung US$	Huang Lien Tsung US$	Lee Cheng Few US$	Chou Tsan Hsiung US$	Nguyen Duc Van US$	Wang Wei-Lin US$	Lee Ka Leung, Daniel US$	Tung Tat Chiu, Michael US$	Total US$
Fees	—	—	—	—	—	—	—	—	—	—
Other emoluments										
Basic salaries and allowances	115,501	119,029	—	—	—	—	—	—	—	234,530
Bonus	122,900	100,000	—	—	—	—	—	—	—	222,900
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—
Total emoluments	238,401	219,029	—	—	—	—	—	—	—	457,430

12. DIRECTORS' AND EMPLOYEES' REMUNERATIONS *(continued)*

The five highest paid individuals included two directors for the years ended 31 December 2005 and 2004, details of whose emoluments are included above. The emoluments of the remaining three individuals for the years ended 31 December 2005 and 2004 are as follows:

	2005	2004
	US$	US$
Basic salaries and allowances	**250,490**	200,250
Bonus	**165,000**	270,000
Retirement benefit scheme contributions	**—**	—
	415,490	470,250

Their emoluments were within the following bands:

	2005	2004
	Number of employees	Number of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	1
	3	3

For the years ended 31 December 2005 and 2004, no emoluments were paid by the Group to these five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments.

13. DIVIDENDS

The final dividend of HK 2.7 cents per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting. However, during the year ended 31 December 2004, Global Technology had paid dividends of US$3,000,000 to their then shareholders prior to the Group Reorganisation. The dividend payable was settled during the year ended 31 December 2005.

14. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2005	2004
	US$	US$
Earnings for the purposes of basic earnings per share	**14,189,312**	25,106,432
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,056,849,315**	1,000,000,000

The calculation of basic earnings per share for the year ended 31 December 2004 was based on the Company's 1,000,000,000 shares deemed to be issued throughout the year assuming the Group Reorganisation and the subsequent capitalisation issue has been completed on 1 January 2004.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings US$	Machinery and equipment US$	Motor vehicles US$	Office and other equipment US$	Construction in progress US$	Total US$
COST						
At 1 January 2004	9,431,729	31,549,496	347,886	1,340,404	742,319	43,411,834
Additions	166,324	16,875,636	128,070	590,662	5,568,149	23,328,841
Transfer	5,249,509	873,814	—	—	(6,123,323)	—
At 31 December 2004	14,847,562	49,298,946	475,956	1,931,066	187,145	66,740,675
Exchange adjustments	305,740	1,067,512	9,801	39,764	3,856	1,426,673
Additions	191,109	13,542,451	247,334	612,974	895,497	15,489,365
Transfer	524,252	—	—	—	(524,252)	—
At 31 December 2005	15,868,663	63,908,909	733,091	2,583,804	562,246	83,656,713
DEPRECIATION						
At 1 January 2004	1,386,384	5,429,716	98,494	479,249	—	7,393,843
Provided for the year	439,946	3,116,772	61,767	259,457	—	3,877,942
At 31 December 2004	1,826,330	8,546,488	160,261	738,706	—	11,271,785
Exchange adjustments	37,608	198,989	3,300	15,211	—	255,108
Provided for the year	800,298	4,881,433	114,436	366,101	—	6,162,268
At 31 December 2005	2,664,236	13,626,910	277,997	1,120,018	—	17,689,161
CARRYING VALUES						
At 31 December 2005	13,204,427	50,281,999	455,094	1,463,786	562,246	65,967,552
At 31 December 2004	13,021,232	40,752,458	315,695	1,192,360	187,145	55,468,890

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and buildings	5%
Machinery and equipment	10%
Motor vehicles	20%
Office and other equipment	10-20%

Construction in progress are not depreciated until completion of construction when the properties are ready for their intended use. The construction in progress are situated in the PRC and are held under medium-term leases.

Buildings include assets carried at costs of US$277,435 and US$362,450 and accumulated depreciation of US$41,615 and US$16,310 as at 31 December 2005 and 2004, respectively, in respect of assets held for use under operating leases. Depreciation charged in respect of these assets amounted to US$24,969 and US$16,310 for the years ended 31 December 2005 and 2004 respectively.

The Group has pledged property, plant and equipment having a net book value of approximately US$31,679,000 (2004: US$32,559,000) to secure general banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

	2005	2004
	US$	US$
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**1,255,119**	1,239,411
Analysed for reporting purposes as:		
Current asset	**21,678**	8,998
Non-current asset	**1,233,441**	1,230,413
	1,255,119	1,239,411

The Group has pledged prepaid lease payments having a net book value of approximately US$267,307 (2004: Nil) to secure general banking facilities granted to the Group.

17. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investment represents the club debenture which is held on a long-term basis. It is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

The directors are of the opinion that the value of this investment is worth at least its costs.

18. INVENTORIES

	2005	2004
	US$	US$
Raw materials	**16,207,910**	18,033,297
Work in progress	**7,739,537**	4,146,545
Finished goods	**8,738,660**	7,914,320
	32,686,107	30,094,162

19. TRADE AND OTHER RECEIVABLES

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

The aged analysis of the Group's trade receivables as at each of the balance sheet dates are as follows:

	2005	2004
	US$	US$
Trade receivables:		
0 - 30 days	**23,166,763**	22,748,341
31 - 60 days	**19,932,283**	22,299,225
61 - 90 days	**12,206,124**	11,454,752
91 - 120 days	**7,795,895**	2,905,888
121 - 150 days	**2,856,401**	1,872,544
Over 150 days	**1,516,026**	1,596,385
	67,473,492	62,877,135
Other receivables	**5,255,476**	3,322,878
	72,728,968	66,200,013

The fair value of the Group's trade and other receivables at 31 December 2005 was approximate to the corresponding carrying amount.

The Group has pledged trade receivables of approximately US$7,243,000 (2004: US$6,078,000) to secure general banking facilities granted to the Group.

20. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount was unsecured, non-interest bearing and was fully settled during the year.

The fair value of the Group's amount due from ultimate holding company at 31 December 2004 approximate the corresponding carrying amounts.

21. AMOUNTS DUE FROM RELATED COMPANIES

			Maximum balance outstanding during the year	
	2005	2004	**2005**	2004
	US$	US$	**US$**	US$
Burda Enterprises Inc. ("Burda")	**—**	129,491	**129,491**	600,305
蓬萊島數位科技股份有限公司 (「蓬萊島」)	**—**	15,463	**15,463**	31,076
	—	144,954		

Mr. Lin Cheng Hung is a director and a shareholder of Burda.

Mr. Lin Pang Chung, the father of Mr. Lin Cheng Hung, is the director of 蓬萊島.

The amounts due from related companies are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of amounts due from related companies approximates their fair value.

22. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure the general banking facilities granted to the Group. All deposits have been pledged to secure short-term bank loans and are therefore classified as current assets.

The deposits carry fixed interest rate of 3% to 3.5% per annum (2004: 0.7% to 0.875% per annum). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings. The fair value of bank deposits at the balance sheet date approximate to the corresponding carrying amounts.

23. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables as at each of the balance sheet dates are as follows:

	2005	2004
	US$	US$
Trade payables:		
0 - 90 days	**34,793,841**	35,056,516
91 - 120 days	**4,146,871**	2,429,352
121 - 180 days	**1,880,511**	1,839,906
181 - 365 days	**729,910**	1,515,688
Over 365 days	**147,149**	377,342
	41,698,282	41,218,804
Other payables	**13,212,020**	14,170,058
	54,910,302	55,388,862

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 120 days.

The fair value of the Group's trade and other payables at the balance sheet date approximates to the corresponding carrying amounts.

24. AMOUNT DUE TO A RELATED COMPANY

	2005	2004
	US$	US$
Name of related company Beshine Technologies Inc. ("Beshine")	**—**	4,270,681

Beshine is a subsidiary of Burda.

The amount due to a related company was unsecured, non-interest bearing and repayable on demand. The amount was settled during the year.

The fair value of the Group's amount due to a related company at 31 December 2004 approximates to the corresponding carrying amount.

25. BANK AND OTHER BORROWINGS

	2005	2004
	US$	US$
Bank loans	**88,510,294**	45,934,905
Trust receipt loans	**—**	132,110
Other loans	**—**	2,700,000
	88,510,294	48,767,015
Secured	**61,825,634**	25,768,092
Unsecured	**26,684,660**	22,998,923
	88,510,294	48,767,015
Carrying amount repayable:		
On demand or within one year	**83,578,112**	48,767,015
More than one year, but not exceeding two years	**4,932,182**	—
	88,510,294	48,767,015
Less: Amounts due within one year shown under current liabilities	**(83,578,112)**	(48,767,015)
	4,932,182	—

The Group's borrowings that are denominated in the following currencies:

	US$	**RMB**	**JPY**	**Total**
				US$
As at 31 December 2005				
Bank loans	24,950,000	63,560,294	—	88,510,294
As at 31 December 2004				
Bank loans	14,100,000	31,834,904	—	45,934,904
Trust receipt loans	—	—	132,110	132,110
Other loans	2,700,000	—	—	2,700,000
	16,800,000	31,834,904	132,110	48,767,014

25. BANK AND OTHER BORROWINGS *(continued)*

Bank loans were fixed-rate borrowings which carried interest ranging from 1.93% to 5.94% per annum (2004: from 1.95% to 5.58% per annum) and were repayable by instalments over the loan period.

Trust receipt loans were repayable within six months from the date the loan was raised.

As at 31 December 2004, other loans of US$2,700,000 were guaranteed by Vertex, the ultimate holding company of the Group and Mr. Lin Pang Chung of which US$1,300,000 were also secured by the shares of Vertex held by Mr. Lin Pang Chung or the Group's deposits. The other loans were interest bearing at 2.05% per annum and were fully settled during the year and the relevant guarantees and collaterals were released upon settlement.

The directors consider that the carrying amounts of the borrowings approximate their fair value.

26. SHARE CAPITAL OF THE COMPANY

	Notes	**Number of shares**	**Nominal value**
			HK$
Ordinary shares of HK$0.1 each			
Authorised:			
On incorporation and at 31 December 2004	(i)	1,000,000	100,000
Increase in authorised share capital	(ii)	4,999,000,000	499,900,000
At 31 December 2005		5,000,000,000	500,000,000
Shown in financial statements as			US$64,561,129
Issued and fully paid:			
Allotted and issued on incorporation	(i)	1	—
Issue of shares on the Group Reorganisation	(iii)	999,999	100,000
Issue of shares through initial public offer	(iv)	250,000,000	25,000,000
Capitalisation issue	(v)	999,000,000	99,900,000
At 31 December 2005		1,250,000,000	125,000,000
Shown in financial statements as			US$16,129,032

The share capital of US$32,000,000 at 31 December 2004 in the consolidated balance sheet represented aggregate share capital of the Company and Global Technology prior to the Group Reorganisation, as set out in note 1, which was completed on 5 July 2005.

26. SHARE CAPITAL OF THE COMPANY *(continued)*

The following changes in the share capital of the Company took place during the period from 22 July 2004 (date of incorporation) to 31 December 2005:

(i) Upon incorporation on 22 July 2004, the Company had authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.1 each. On 9 August 2004, one share with par value of HK$0.1 was allotted and issued.

(ii) Pursuant to the written resolutions of sole shareholder of the Company passed on 5 July 2005, the authorised share capital of the Company was increased from HK$100,000 to HK$500,000,000 by the creation of additional 4,999,000,000 shares of HK$0.1 each.

(iii) On 5 July 2005, the Company allotted and issued, credited as fully paid, 999,999 shares of HK$0.1 each for the acquisition of Global Technology International Limited pursuant to the Group Reorganisation.

(iv) On 7 October 2005, 250,000,000 ordinary shares of HK$0.1 each were issued at HK$1.02 each for cash through an initial public offering by way of placement and public offer.

(v) Pursuant to a written resolution of sole shareholder of the Company passed on 5 July 2005 and conditional on the reserve account of the Company being credited as a result of the placement and public offer on 10 October 2005, an amount of HK$99,900,000 was capitalised and applied to pay up in full at par 999,000,000 shares of HK$0.1 each on a pro-rata basis to the Company's shareholders whose names appeared in the register of the Company on 7 July 2005.

27. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 5 July 2005.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the date on which the Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue on the Listing Date ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

27. SHARE OPTION SCHEME *(continued)*

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit").

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No option has been granted under the Share Option Scheme from the date of adoption of the scheme up to 31 December 2005.

28. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases was US$104,306 (2004: US$22,055).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2005	2004
	US$	US$
Within one year	**145,982**	67,827
In the second to fifth years inclusive	**66,451**	48,327
	212,433	116,154

Operating lease payment represent rentals payable by the Group for its factories and staff quarters. Lease terms are negotiated for a term ranged from one to two years and rentals are fixed for an average of two years.

The Group as lessor

Property rental income earned during the year was US$7,398 (2004: US$23,938). The properties held for rental purpose have committed tenants for a term ranged from one to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments, which fall due:

	2005	2004
	US$	US$
Within one year	**1,850**	7,249
In the second to fifth years inclusive	**—**	1,812
	1,850	9,061

29. CAPITAL COMMITMENTS

	2005	2004
	US$	US$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**771,952**	76,235

30. PLEDGE OF ASSETS

At the balance sheet date, the Group had the following assets pledged to banks to secure the general banking facilities granted to the Group:

	2005	2004
	US$	US$
Property, plant and equipment	**31,678,922**	32,558,556
Prepaid lease payments	**267,307**	—
Trade receivables	**7,242,937**	6,078,453
Bank deposits	**28,645,619**	8,174,302

31. RETIREMENT BENEFITS SCHEME

In accordance with the relevant PRC rules and regulations, Global Flex (Suzhou) is required to establish a defined contribution plan managed by the relevant local government bureau in the PRC and to make contributions to the plan for its eligible employees. The contribution borne by Global Flex (Suzhou) is calculated according to the level regulated by the municipal government.

The total cost charged to income of US$1,881,049 (2004: US$914,813) represents contributions payable to this scheme by the Group in respect of the current accounting period. As at 31 December 2005, contributions of US$387,743 (2004: US$320,121) due in respect of the reporting period had not been paid over to the scheme.

32. RELATED PARTY DISCLOSURES

Transactions between group companies have been eliminated on consolidation and are not disclosed in this note.

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

Name of related parties	Nature of transactions	2005	2004
		US$	US$
Vertex	Sales of finished goods	—	496,538
	Purchase of property, plant and equipment	—	633,722
Burda	Commission paid	—	11,134
	Sales of finished goods	—	198,095
Mr. Hsu Chung, a director	Rentals paid	**18,089**	15,622
Beshine	Commission paid	—	250,724
	Purchase of materials	**638,663**	11,354,182

32. RELATED PARTY DISCLOSURES *(continued)*

In addition, other loans as at 31 December 2004 were guaranteed by Vertex and Mr. Lin Pang Chung and secured by the shares of Vertex held by Mr. Lin Pang Chung as set out in note 25. The guarantees and the collateral were released upon the full settlement during the year.

Balances with related parties as at 31 December 2005 and 2004 are set out in notes 20, 21 and 24.

Compensation of key management personnel

The emoluments of directors and other members of key management of the Group during the year was as follows:

	THE GROUP	
	2005	2004
	US$	US$
Short-term benefits	**499,953**	457,430
Post-employment benefits	**—**	—
	499,953	457,430

The emoluments of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

33 BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 December 2005 are as follows:

	Note	US$
Non-current assets		
Investments in subsidiaries		32,123,872
Current assets		
Other receivables		1,525,548
Amounts due from subsidiaries		17,544,866
Bank balances and cash		12,878,587
		31,949,001
Current liability		
Other payables		107,742
Net current assets		31,841,259
		63,965,131
Capital and reserve		
Share capital		16,129,032
Reserves	(a)	47,836,099
		63,965,131

Note:

(a) Reserves

	Share premium US$	Contributed surplus US	Retained profit US$	Total US$
At 1 January 2005	—	—	—	—
Issue of shares at premium through initial public offer	29,677,418	—	—	29,677,418
Share issue expenses	(1,155,560)	—	—	(1,155,560)
Effect of Group Reorganisation	—	32,110,967	—	32,110,967
Capitalisation issue	(12,890,322)	—	—	(12,890,322)
Profit for the year	—	—	93,596	93,596
At 31 December 2005	15,631,536	32,110,967	93,596	47,836,099

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Class of share held	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/ paid up capital held by the Company Directly	Indirectly	Principal activities
Forever Jade Holding Limited	Samoa	Ordinary	US$1	100%	—	Inactive
Global Flex Technology (Korea) Inc.	Korea	Ordinary	WON50,000,000	—	100%	Inactive
*Global Flex (Suzhou) Co., Ltd.	The PRC	N/A	US$48,000,000	—	100%	Manufacturing and trading of printed circuit boards
Global Technology International Ltd.	British Virgin Islands/ The PRC	Ordinary	US$32,000,000	100%	—	Investment holding and trading of printed circuit boards
Value Manage International Limited	Hong Kong	Ordinary	HK$1	—	100%	Inactive
*蘇州佳茂科技有限公司	The PRC	N/A	US$23,600,000	—	100%	Inactive

* These subsidiaries are wholly-foreign-owned enterprises established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.

Financial Summary

RESULTS

	Year ended 31 December			
	2002	2003	2004	**2005**
	US$	US$	US$	**US$**
Turnover	54,107,997	72,724,810	165,732,442	**176,900,271**
Profit for the year	3,200,551	6,192,530	25,106,432	**14,189,312**

ASSETS AND LIABILITIES

	As at 31 December			
	2002	2003	2004	**2005**
	US$	US$	US$	**US$**
Total assets	56,388,346	91,297,197	169,021,398	**248,932,789**
Total liabilities	(33,273,576)	(60,960,945)	(111,378,714)	**(144,195,533)**
Shareholders' funds	23,114,770	30,336,252	57,642,684	**104,737,256**

Notes:

1. The financial information for each of the three years ended 31 December 2004 has been prepared using the principles of merger accounting to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for the three years ended 31 December 2004, and the assets and liabilities as at 31 December 2002, 2003 and 2004 have been extracted from the Company's prospectus dated 28 September 2005.

2. The result for the year ended 31 December 2005, and the assets and liabilities as at 31 December 2005 have been extracted from the audited consolidated income statement and audited consolidated balance sheet as set out on pages 31 and 32, respectively, of the financial statements.