2006
ANNUAL REPORT

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)

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Chou Tsan Hsiung
Mr. Nguyen Duc Van
Mr. Yang Yi (appointed on 1 February 2007)
Mr. Lee Cheng Few (resigned on 1 February 2007)

Independent Non-executive Directors

Mr. Wang Wei-Lin
Mr. Chow Chi Tong (appointed on 23 May 2006)
Mr. Liao Kuang Sheng (appointed on 1 September 2006)
Mr. Lee Ka Leung, Daniel (resigned on 23 May 2006)
Mr. Tung Tat Chiu, Michael
(resigned on 1 September 2006)

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

Cricket Square
Hutchins Drive
P.O. Box 2681
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Cayman Islands

Principal place of business in Hong Kong

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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

Chairman's Statement

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 2006.

BUSINESS REVIEW

The Company's principal activity is investment holdings whilst its subsidiaries are mainly engaged in manufacturing and trading of printed circuit boards. During the financial year of 2006, the Group recorded a total turnover of approximately US$315.5 million, representing an increase of 78.35% from 2005. For flexible printed circuit boards assemble ("FPCA"), rigid printed circuit boards assemble ("PCBA"), flexible printed circuit boards ("FPC") and rigid printed circuit boards ("PCB"), turnover grew by 67.10%, 494.10%, 12.27% and 38.49% respectively. The increase in turnover from FPCA was mainly attributable to more orders received from existing customers as well as an increase in the unit price. In addition, for FPC solutions, the customers developed in 2005 have continually contributed to the Group's turnover. The increase in turnover from PCB was mainly attributable to the increased order from existing customers and an increase in the sales of new products (HDI boards and automobile circuit boards). The significant growth in turnover from PCBA was attributable to the development of new customers by Forever Jade Electronics (Suzhou) Co., Ltd. ("Forever Jade (Suzhou)"), which was established during the year, in the aspect of assembled finished products. Net profits for the year amounted to approximately US$12.4 million (2005: 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 FPC in China, the Group has enhanced the production capacity and the improvements of operating team, management and corporate structure to increase the efficiency. Besides, it also imposed stringent control over expenses and budgets so as to create a favorable platform for the future development of the Group.

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. Meanwhile, as a result of the research and development undertaken by the Group on the production technology of FPC products as well as the acquisition of new facilities and equipment during the year, the quality and production volume of FPC with fine line have been increased substantially. The fine line products represent products having under 0.003" line spacing. It mainly used in LCD, camera modules and harddisk. This would be quite beneficial to the Group's technical competitiveness as well as product and customer diversification. The Group expects the market demand for fine line and spacing of FPC to increase in the coming years.

Chairman's Statement

With the commencement of the operation of Forever Jade (Suzhou) in June 2006, the Group has expanded its scope of operation to the assembly of electronic component modules and supporting finished products, with an aim to expand the Group's one-stop services offered to its existing and new customers. The major products assembled by Forever Jade (Suzhou) include modules and supporting finished products for mobile phones, digital cameras and switches. It is anticipated that it will contribute considerably to the Group's profits when it attains scale of economy in the coming year.

A newly constructed plant of another wholly owned subsidiary of the Company, Global Flex (Suzhou) Plant II Co., Ltd (formerly named as Suzhou Intellicircuit Solution Technology Co., Ltd.) (蘇州佳茂科技有限公司) ("Global Flex (Suzhou) Plant II"), is close to completion. For more effective plant planning, it is intended that all PCB facilities of Global Flex (Suzhou) Co. Ltd. ("Global Flex (Suzhou)") will be transferred to Global Flex (Suzhou) Plant II. Global Flex (Suzhou) will mainly focus on the production of FPC solution products while Global Flex (Suzhou) Plant II will be engaged in the production of PCB products. With more procurement of better equipment and facilities, Global Flex (Suzhou) Plant II will be able to manufacture PCB products of a higher level in terms of both quality and quantity. To make more effective use of the funds, up to the moment, Global Flex (Suzhou) Plant II has not started to purchase any new facilities. To ensure the stability of orders and upgrade its technologies, the Group does not rule out the possibility of seeking strategic partners for cooperation.

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, 19 April 2007

Management Discussion and Analysis

INDUSTRY REVIEW

Printed circuit boards, including FPC and 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 2006 but competition has also intensified and many market players 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 Company's principal activity is investment holdings whilst its subsidiaries are mainly engaged in manufacturing and trading of printed circuit boards.

During the financial year of 2006, the Group recorded a total turnover of approximately US$315.5 million, an increase of 78.4% from 2005. Turnover of FPCA, PCBA, FPC and PCB grew by 67.1%, 494.1%, 12.3% and 38.5% respectively. The increase in turnover from FPCA was mainly attributable to an increase in the number of orders from existing customers as well as an increase in unit price. In addition, for FPC solutions, the customers developed in 2005 have continually contributed to the Group's turnover. The increase in turnover from PCB was mainly attributable to an increase in the demand from existing customers and an increase in the sales of new products (HDI boards and automobile circuit boards). The significant growth of turnover from PCBA was attributable to new customers developed by Forever Jade (Suzhou), which was established during the year, in the assembly of finished products. Net profits for the year amounted to approximately US$12.4 million (2005: US$14.2 million).

FINANCIAL REVIEW

For the financial year ended 31 December 2006, the Group recorded a turnover of approximately US$315.5 million and profit for the year of approximately US$12.4 million as compared to a turnover of approximately US$176.9 million and profit of approximately US$14.2 million for the year ended 31 December 2005, representing an increase of approximately 78.4% and a decrease of approximately 12.7% respectively. Earning per share was approximately US1.0 cents (2005: approximately US1.3 cents) and net assets per share of the Company was approximately US9.4 cents (2005: approximately US8.4 cents).

Management Discussion and Analysis

Turnover

The turnover of the Group for the year ended 31 December 2006 and the comparative figures of 2005 classified by categories of the major products are set out below:

Turnover by operations

	2006		2005		**Change**
	US$'000	**%**	US$'000	%	%
FPC solutions					
FPCA	**165,564**	**52.5**	99,081	56.0	67.1
FPC	**19,146**	**6.0**	17,054	9.6	12.3
Total FPC solutions	**184,710**	**58.5**	116,135	65.6	59.0
PCB solutions					
PCBA	**60,856**	**19.3**	10,243	5.8	494.1
PCB	**69,971**	**22.2**	50,522	28.6	38.5
Total PCB solutions	**130,827**	**41.5**	60,765	34.4	115.3
Total	**315,537**	**100.0**	176,900	100.0	78.4

The Group's turnover was mainly derived from sales of FPC solutions and PCB solutions. With reference to the above table, turnover from sales of FPC solutions and sales of PCB solutions for the year ended 31 December 2006 were approximately US$184.7 million and US$130.8 million (2005: US$116.1 million and US$60.8 million) respectively, representing approximately 58.5% and approximately 41.5% of the total sales of the Group (2005: 65.6% and 34.4%) respectively.

The increase of 59.0% in sales of FPC solutions in 2006 was mainly due to the increasing orders received from MOTOROLA, a major customer of the Group, during this year, and the business growth during the year of the new customers successively developed by the Group in recent years. The Directors believe that an increase in the number of customers can reduce the Group's reliance on a single customer in this respect.

On the other hand, the sales of PCB and PCBA have increased by approximately 38.5% and 494.1% respectively in 2006. The increase in the turnover from PCB was primarily due to the significant increase in demand from existing customers. The increased demand mainly represents the products used in computer peripherals, telecommunication equipments and motor vehicles. In addition, the increase in the turnover from PCBA was mainly attributable to the development of the market by Forever Jade (Suzhou) established in 2006. The increase mainly represents modules and supporting finished products for mobile phone and digital camera products.

Management Discussion and Analysis

Gross profits margin by operations

	2006	2005
	%	%
FPC solutions		
FPCA	**17.4**	22.9
FPC	**4.4**	8.8
PCB solutions		
PCBA	**4.9**	8.8
PCB	**5.6**	4.6
Total	**11.6**	15.5

The Group's gross profit increased from approximately US$27.5 million for the year ended 31 December 2005 to approximately US$36.5 million for the year ended 31 December 2006. The increase in gross profit was primarily due to an increase in the overall turnover, particularly FPCA with a higher gross profit margin whose turnover increased by US$66,482,604.

However, the overall gross profit margin declined from approximately 15.5% for the year ended 31 December 2005 to approximately 11.6% for the year ended 31 December 2006. For FPCA, FPC and PCBA, the gross profit margin dropped respectively from 22.9%, 8.8% and 8.8% in the previous year to 17.4%, 4.4% and 4.9% this year. The decrease in the gross profit margin from FPCA was mainly due to an increase in overall raw material costs as a result of higher product component costs. The decrease in the gross profit margin from FPC products was mainly due to a decline in the gross profit margin from products with multiple fine lines because of the increasing scrap rate of the new products which have been subject to limitations of the Group's facilities and product quality. The decrease in the gross profit margin from PCBA products was mainly due to the increase of the price and quantities of assembled products this year whose raw materials were mostly high-priced components designated and born by customers with similar level of assembly fee since there is not much added value for processing. The Directors believe that the gross profit margin will increase when it attains scale of economy in the business volume over the coming year.

Operating expenses

Distribution costs for the year ended 31 December 2006 increased by 122.4% to approximately US$7.7 million, as compared to that of approximately US$3.4 million for the year ended 31 December 2005. The increase in distribution costs was primarily due to the relative increase in commission expenses as a result of an increase in domestic sales, and a significant increase in transportation costs during the year as a result of a continued rise in oil prices and an increase in the sales of the Group during the year. The other items comprising the distribution costs were in line with the level of turnover.

Management Discussion and Analysis

The administrative expenses for the year ended 31 December 2006 increased by approximately 64.7% to approximately US$11.6 million as compared to that of approximately US$7.1 million for the year ended 31 December 2005. The significant increase was mainly due to the write down of account receivables overly aged in accordance with the Group's accounting policy and an increase in staff costs as a result of an increase in the number of administrative staff during the year. In addition, as a result of the appreciation of RMB against the US dollar during the year, the Group suffered a greater exchange loss from its sales transaction in the year of 2006 than last year.

Finance costs of the Group for the year ended 31 December 2006 increased by 104.7% to approximately US$6.2 million, as compared to that of approximately US$3.0 million for the year ended 31 December 2005. The increase in finance costs was mainly due to an increase in borrowings and rises in interest rates during the year.

Liquidity and financial resources

The Group had shareholders' funds of approximately US$117.5 million as at 31 December 2006 and approximately US$104.7 million as at 31 December 2005. Current assets amounted to approximately US$252.5 million mainly comprising bank balances and cash of approximately US$46.8 million, pledged bank deposits of approximately US$13.5 million, inventories of approximately US$48.6 million and trade receivables of approximately US$129.1 million. Current liabilities amounted to approximately US$218.3 million mainly comprising bank loans of approximately US$114.7 million and trade payables of approximately US$91.2 million. Non-current liabilities only include long term bank loan amounting to approximately US$3.8 million.

As at 31 December 2006, the Group's current ratio was 1.2 (2005: 1.3) and the gearing ratio (a ratio of total loans to total assets) was 34.9% (2005: 35.6%).

As at 31 December 2006, the Group's bank loan balance was about US$118.5 million, all loans were fixed rate borrowings which carried interest ranging from 3.13% to 6.9% per annum.

Foreign currency exchange risk

Most assets and liabilities of the Group and the Group's sales and purchases were denominated in US dollar and RMB. The sales in US dollar and RMB represented approximately 82% and 18% respectively for the year ended 31 December 2006 (2005: 68% and 32%). The purchases in US dollar and RMB represented approximately 69% and 31% respectively for the year ended 31 December 2006 (2005: 59% and 41%). 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 2006. Although the exchange loss recognized in administrative expenses increased during the year, it only represented approximately 0.4% of the total turnover during the year of 2006.

SEGMENTAL INFORMATION

As at 31 December 2006, detail segmental information of the Group is set out in note 6 to the financial statements.

Management Discussion and Analysis

EMPLOYEE BENEFITS

For the year ended 31 December 2006, average number of employees was approximately 7,600 (2005: approximately 5,700). The increase of the number of employees is mainly due to the recruitment for operation of Forever Jade (Suzhou) which has commended since June 2006. For the year ended 31 December 2006, the Group's staff costs (excluding Directors' fees and emoluments) amounted to approximately US$25.2 million (2005: US$18.7 million). The remuneration policy of the Group 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, occupational injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of their payroll costs to the social welfare scheme to fund the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions. During the year under review, the Group contributed approximately US$1.2 million (2005: US$1.9 million) to the scheme.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

For the year ended 31 December 2006, the Group did not have any material acquisition and sale of subsidiaries and associated companies.

CHARGE ON ASSETS

As at 31 December 2006, pledges of the Group's properties, trade receivable, bank deposits and prepaid lease payment amounted to approximately US$16.9 million, US$49.5 million, US$13.5 million and US$0.2 million respectively (2005: US$31.7 million, US$7.2 million, US$28.6 million and US$0.3 million) to secure bank borrowings.

Management Discussion and Analysis

CONNECTED TRANSACTIONS

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

Acquisition of equipment from Vertex Precision Electronics Inc.

As announced by the Company on 11 October 2006,Vertex Precision Electronics Inc. ("Vertex"), the controlling shareholder of the Company, entered into an agreement with Global Technology International Limited ("GTI"), a direct wholly-owned subsidiary of the Company on 29 September 2006 pursuant to which Vertex agreed to sell and GTI agreed to pruchase machinery and equipment for production of 4 to 6 layers PCBs for cars, mobile phones, computer peripheral and telecommunication products for a consideration of approximately US$1.8 million. Up to the end of the year, the transaction is not yet completed. According to the extension agreement signed between the parties on 15 December 2006, the transaction shall be completed on or before 31 August 2007.

Lease of apartments by Mr. Hsu Chung and Mr. Lin Cheng Hung to the Group

Global Flex (Suzhou), an indirect wholly-owned subsidiary of the Company, entered into three tenancy agreements with Mr. Hsu Chung, an executive Director, in August and September 2005 pursuant to which Mr. Hsu Chung leased to Global Flex (Suzhou) three 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 three apartments amounted to US$20,554. (2005: US$18,089).

In addition, Global Flex (Suzhou) also entered into a tenancy agreement with Mr. Lin Cheng Hung ("Mr. Lin"), an executive Director, on 1 January 2006 pursuant to which Mr. Lin leased to Global Flex (Suzhou) an apartment situated in Suzhou. The apartment is used as staff quarter of the Group in Suzhou. During the year, the total rental paid to Mr. Lin for the apartment amounted to US$7,684 (2005: Nil).

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 respective 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 2006, the Group or the Company did not have any significant contingent liabilities (2005: Nil).

Management Discussion and Analysis

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As a result of the research and development undertaken by the Group on the production technology of FPC products as well as the acquisition of new facilities and equipment during the year, the quality and production volume of FPC with fine line have increased substantially. The fine line products represent products having under 0.003” line spacing. It mainly used in LCD, camera modules and harddisk. This would be quite beneficial to the Group’s technical competitiveness as well as product and customer diversification. The Group expects the market demand for fine line and spacing of FPC to increase in the coming years.

With the commencement of the operation of Forever Jade (Suzhou) in June 2006, the Group has expanded its scope of operation to the assembly of electronic component modules and supporting finished products, with an aim to expand the Group’s one-stop services offered to its existing and new customers. The major products assembled by Forever Jade (Suzhou) include modules and supporting finished products for mobile phones, digital cameras and switches. It is anticipated that it will contribute considerably to the Group’s profits when it attains scale of economy in the coming year.

A newly constructed plant of another wholly owned subsidiary of the Company, Global Flex (Suzhou) Plant II, is close to completion. For more effective plant planning, it is intended that all PCB facilities of Global Flex (Suzhou) will be transferred to Global Flex (Suzhou) Plant II. Global Flex (Suzhou) will mainly focus on the production of FPC solution products while Global Flex (Suzhou) Plant II will be engaged in the production of PCB products. With more procurement of better equipment and facilities, Global Flex (Suzhou) Plant II will be able to manufacture PCB products of a higher level in terms of both quality and quantity. To make more effective use of the funds, up to the moment, Global Flex (Suzhou) Plant II has not started to purchase any new facilities. To ensure the stability of orders and upgrade its technologies, the Group does not rule out the possibility of seeking strategic partners for cooperation.

Board of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lin Cheng Hung (林正弘), aged 40, 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 55, 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 48, was appointed as an executive Director in June 2005. 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 和通創業投資集團 (Hotung Venture Capital Group) as deputy general manager from July 1997 to July 2001 and 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 (台曜電子股份有限公司), whose shares are traded on the Gretai Securities Market, and of Everspring Industry Co., Ltd (云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.

Board of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Chou Tsan Hsiung (周燦雄), aged 64, 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 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 63, 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.

Mr. Yang Yi (楊毅), aged 43, was appointed as a non-executive Director in February 2007. Mr. Yang first graduated from the Beijing University with a Bachelor Degree of Art in International Politics in 1987 and was awarded a scholar of Japanese Education Ministry by the Tokyo University in the same year. In 1991, Mr. Yang was awarded a master degree of Art in Law & Diplomacy by Fletcher School of Law and Diplomacy, jointly administrated by Tufts University and Harvard University. Mr. Yang has about 20 years of experience in finance and human resources management. The major appointments and positions previously assumed by Mr. Yang include a financial analyst at the fixed income division of J.P. Morgan Securities (Tokyo), the vice president of the human capital management of Goldman Sachs LLP (New York), the principal of executive search in the financial industry of Korn/Ferry International (Hong Kong) and a managing director of A.T. Kearney Management Consultancy (Hong Kong). At present, Mr. Yang is the director and founder of G Bridge Limited, a Hong Kong based human resources advisory firm.

Mr. Lee Cheng Few (李正福), aged 68, 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 an independent supervisor of Vertex, the indirect controlling Shareholder of the Company, from December 2003 to July 2006. Save as aforesaid, Mr. Lee had not held any position nor directorship in other listed companies in the three preceding years. Mr. Lee has resigned as a non-executive Director effective on 1 Feb 2007.

Board of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Wei-Lin (王偉霖), aged 35, 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 an assistant professor in Shih Hsin University. Mr. Wang had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Chow Chi Tong (周志堂), aged 46, was appointed as an independent non-executive Director in May 2006. Mr. Chow is an accountant in practice as a partner of Ting Ho Kwan and Chan, Certified Public Accountants. Mr. Chow holds a diploma in yarn manufacturing from The Hong Kong Polytechnic University and he has over 20 years of experience in both accounting and auditing. He is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in England and Wales.

Mr. Liao Kuang Sheng (廖光生), aged 65, was appointed as an independent non-executive Director in September 2006. Mr. Liao is a professor of the National University of Kaohsiung in Taiwan. In 1963, Mr. Liao first graduated with a Bachelor Degree of Law. In 1974, he was awarded a degree of Doctor of Philosophy (Political Science) by the University of Michigan, the United States of America. He assumed positions of professor and Chairman of the Department of the Government and Public Administration of the Chinese University of Hong Kong. He also assumed positions of professor and/or head of department at the National Taiwan University and the National University of Kaohsiung in Taiwan. He assumed political positions such as a former member of the legislature of the Taiwan Government.

Mr. Lee Ka Leung, Daniel (李家樑), aged 48, 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. Lee has resigned as an independent non-executive Director effective on 23 May 2006.

Mr. Tung Tat Chiu, Michael (佟達釗), aged 45, 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 17 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. Mr. Tung has resigned as an independent non-executive Director effective on 1 September 2006.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Wong Chau Chi, Charles (黄秋智), aged 42, was appointed as a chief executive officer of the Company in January 2007. Mr. Wong has extensive experience in the financial and business industry for 17 years. Previously, he has worked at Goldman Sachs, Citibank Group, BNP Paribas, McKinsey & Co, and GE in areas such as structuring, derivatives, advisory, and financial management. Mr. Wong also serves as a director of Chi Capital, a financial and investment advisory company in Hong Kong specialized in merger and acquisition and private equity.

Mr. Huangfu Ming (皇甫銘), aged 38, 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 11 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), aged 41, 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) , aged 48, 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 degree 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.

Corporate Governance Report

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 ("Listing Rules") for the year ended 31 December 2006. 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 financial year under review. 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 year ended 31 December 2006.

BOARD OF DIRECTORS

Composition and role

As at the date of this report, the board of Directors of the Company comprises:

Executive Directors:	Lin Cheng Hung *(Chairman)*
	Hsu Chung
	Huang Lien Tsung
Non-executive Directors:	Chou Tsan Hsiung
	Nguyen Duc Van
	Yang Yi
Independent Non-executive Directors:	Wang Wei-Lin
	Chow Chi Tong
	Liao Kuang Sheng

The Board comprises of 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 executive Directors and senior management of the Group, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

Corporate Governance Report

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 of his independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules and the Company 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 the 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 year and up to the 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 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 has 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 after each meeting, and final versions of the minutes are sent to all Directors for record at reasonable time thereafter.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of 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 between members of the Board and the Chief Executive Officer.

During the year ended 31 December 2006, six 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)*	6/6	100%
Hsu Chung	6/6	100%
Huang Lien Tsung	6/6	100%
Chou Tsan Hsiung	6/6	100%
Nguyen Duc Van	6/6	100%
Yang Yi (appointed with effect from 1 February 2007)	0/6	N/A
Lee Cheng Few (resigned with effect from 1 February 2007)	6/6	100%
Wang Wei-Lin	6/6	100%
Chow Chi Tong (appointed with effect from 23 May 2006)	4/6	67%
Liao Kuang Sheng (appointed with effect from 1 September 2006)	3/6	50%
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)	2/6	33%
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)	3/6	50%

Corporate Governance Report

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. Mr. Huang Lien Tsung resigned as the Chief Executive Officer of the Company effective on 24 January 2007 and continuously serves as an executive Director of the Company. Effective on the same day, Mr. Wong Chau Chi, Charles was appointed as new Chief Executive Officer of the Company. 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.

Re-election of 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. According to Articles 108(A) of the Company's Articles of Association (the "Articles"), one-third of the Directors shall retire from office by rotation and are subjected to re-election at annual general meeting at least once every three years.

Audit Committee

The Audit Committee was established in 2006 and its members include:

Chow Chi Tong (appointed with effect from 23 May 2006) *(Chairman of committee)*
Chou Tsan Hsiung
Liao Kuang Sheng (appointed with effect from 1 September 2006)
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)

The majority of the Audit Committee members 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.

Corporate Governance Report

The Audit Committee has reviewed with 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 2006.

During the year ended 31 December 2006, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Director	Number of committee meetings attended	Attendance rate
Chow Chi Tong (appointed with effect from 23 May 2006)	1/2	50%
Chou Tsan Hsiung	2/2	100%
Liao Kuang Sheng (appointed with effect from 1 September 2006)	1/2	50%
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)	1/2	50%
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)	1/2	50%

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

Remuneration Committee

The Remuneration Committee was established in 2006 and the current members include:

Wang Wei-Lin *(Chiarman of the committee)*
Chou Tsan Hsiung
Chow Chi Tong (appointed with effect from 23 May 2006)
Liao Kuang Sheng (appointed with effect from 1 September 2006)
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)

The majority of the Remuneration Committee members 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, 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.

Corporate Governance Report

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 year ended 31 December 2006, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of Director	Number of committee meeting attended	Attendance rate
Wang Wei-Lin	1/1	100%
Chou Tsan Hsiung	1/1	100%
Chow Chi Tong (appointed with effect from 23 May 2006)	0/1	N/A
Liao Kuang Sheng (appointed with effect from 1 September 2006)	0/1	N/A
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)	1/1	100%
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)	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 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 year, the Board held two meetings in relation to the nomination and appointment of independent non-executive directors and the individual attendance of each member is set out below:

Name of Director	Attendance of the two meetings	Attendance rate
Lin Cheng Hung *(Chairman)*	2/2	100%
Hsu Chung	2/2	100%
Huang Lien Tsung	2/2	100%
Chou Tsan Hsiung	2/2	100%
Nguyen Duc Van	2/2	100%
Yang Yi (appointed with effect from 1 February 2007)	0/2	N/A
Lee Cheng Few (resigned with effect from 1 February 2007)	2/2	100%
Wang Wei-Lin	2/2	100%
Chow Chi Tong (appointed with effect from 23 May 2006)	1/2	50%
Liao Kuang Sheng (appointed with effect from 1 September 2006)	0/2	N/A
Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)	1/2	50%
Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)	1/2	50%

Corporate Governance Report

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 2006 is summarised as below:

Services	**Remuneration (US$)**
Audit services	157,629
Non-audit services	—
Total	157,629

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 2006, 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 2006.

Corporate Governance Report

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, 19 April 2007

Report of the Directors

The directors of the Company ("Directors") are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 34 of the 2006 annual report of the Company ("2006 Annual Report") of which this report forms part.

The Directors now recommend, subject to approval of the shareholders at the forthcoming annual general meeting ("2007 AGM"), the payment of a final dividend of HK2.86 cents per share to the shareholders whose names appear on the register of members of the Company on 21 May 2007. Such dividends amount to US$4,612,903 in total.

Subject to the approval of the shareholders of the Company at the 2007 AGM, the final dividend is expected to be payable on or about 30 June 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 May 2007 to Monday, 21 May 2007, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 15 May 2007.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditures of approximately US$18.7 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 14 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2006 amount to approximately US$38,871,000 which comprise retained profit and contributed surplus of approximately US$6,760,000 and US$32,111,000 respectively.

Report of the Directors

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. Chou Tsan Hsiung	
Mr. Nguyen Duc Van	
Mr. Yang Yi	(Appointed with effect from 1 February 2007)
Mr. Lee Cheng Few	(Resigned with effect from 1 February 2007)

Independent non-executive Directors

Mr. Wang Wei-Lin	
Mr. Chow Chi Tong	(Appointed with effect from 23 May 2006)
Mr. Liao Kuang Sheng	(Appointed with effect from 1 September 2006)
Mr. Lee Ka Leung, Daniel	(Resigned with effect from 23 May 2006)
Mr. Tung Tat Chiu, Michael	(Resigned with effect from 1 September 2006)

In accordance with Articles 108(A), at each annual general meeting one third of the Directors for the time being shall retire from office by rotation. Mr. Lin Cheng Hung, Mr. Chou Tsan Hsiung and Mr. Wang Wei-Lin will retire from the office and offer themselves for re-election at the 2007 AGM.

In accordance with Article 112 of the Articles of Association, the office of the following Directors, namely, Mr. Liao Kuang Sheng and Mr. Yang Yi, will end at the 2007 AGM. Both of them, being eligible, will offer themselves for re-election at the 2007 AGM.

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 and shall be renewable automatically for successive terms of one year each commencing from the next day after the expiry of their then current term of appointment unless terminated by either party by three months' prior written notice.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

At 31 December 2006, 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	Beneficial owner	9,431,452 shares (L)	0.755%
	Vertex Precision Electronics Inc. ("Vertex")	Beneficial owner	1,684,385 shares of NT$10 each (L)	0.534%
	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 2)	1,000 shares of NT$10 each (L)	0.004%
Mr. Hsu Chung	The Company	Beneficial owner	6,702,743 shares (L)	0.536%
	Vertex	Beneficial owner	6,000 shares of NT$10 each (L)	0.0019%
Mr. Huang Lien Tsung	The Company	Beneficial owner	1,296,292 shares (L)	0.103%
	Vertex	Beneficial owner	16,580 shares of NT$10 each (L)	0.0053%
	Vertex	Interest of spouse (Note 3)	16,698 shares of NT$10 each (L)	0.0053%
Mr. Lee Cheng Few	The Company	Beneficial owner	328,365 shares (L)	0.026%
	Vertex	Interest of spouse (Note 4)	433,018 shares NT$10 each (L)	0.1372%

Report of the Directors

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Chou Tsan Hsiung	Vertex	Beneficial owner	47,219 each of NT$10 each (L)	0.0150%
	Vertex	Interest of spouse (Note 5)	6,785 shares NT$10 each (L)	0.0021%
Mr. Nguyen Duc Van	The Company	Beneficial owner	573,638 shares (L)	0.046%
Mr. Liao Kuang Sheng	Vertex	Beneficial owner	36,732 each of NT$10 each (L)	0.0117%

Notes:

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

2. 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.

3. 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.

4. 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.

5. 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 2006 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.

Report of the Directors

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 23 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 2006, 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	644,830,298 (L)	51.59%
Vertex Precision Electronics Inc. ("Vertex") (note 2)	Interest of controlled corporation	644,830,298 (L)	51.59%
DBS Nominees Pte. Ltd. ("DBS")	Beneficial owner	95,826,566 (L)	7.67%
DBS Bank Ltd	Interest of a controlled corporation	95,826,566 (L)	7.67%
DBS Group Holdings Ltd	Interest of controlled corporations	95,826,566 (L)	7.67%
Deutsche Bank Aktiengesellschaft	Security interest	87,632,500 (L)	7.01%
PMA Capital Managementt Ltd.	Investment manager	78,177,500 (L)	6.25%

Report of the Directors

Notes:

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

2. These 644,830,298 Shares 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 644,830,298 Shares.

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 2006.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 38.9% and 51.9% 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 shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) has 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).

It was stated in the section headed "Future plans and prospects and use of proceeds" set out in the prospectus dated 28 September 2005 ("Prospectus") issued by the Company 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 FPC, FPCA, PCB, and PCBA in Northern China.

Report of the Directors

With a view to expand the Group's manufacturing facilities, the Company made an announcement dated 23 December 2005 which stated that 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. In addition, the Company made an announcement dated 15 September 2006 which stated that the Company decided that the amount of Net Proceeds to be applied in the development of the Northern China plant would be used to invest in the development of the Group's Suzhou plan. Part of the proceed amounting to US$14.6 million will be used to develop the second phrase of manufacturing plant for the production of HDI PCB and rigid-flex in Suzhou. The remaining part of the proceed amount to US$2.0 million will be used to purchase machinery and equipment for increasing the assembly capacities for the assembly of electronic component modules or supporting finished products in Suzhou plant. 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 2006 (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	(13.6)	—
Construction of a manufacturing plant for the production of FPC, FPCA, PCB and PCBA in Northern China	20.2	(20.2)	—	—	—
Purchase of machinery and equipment increasing the production capacity of HDI PCB, TFT LCD PCB and rigid-flex in Suzhou plants	—	14.6	14.6	—	14.6
Purchase of machinery and equipment for increasing assembly capacities for the assembly of electronic component modules and supporting finished products in Suzhou plants	—	2.0	2.0	(2.0)	—
Total	30.2	—	30.2	(15.6)	14.6

Report of the Directors

Up to 31 December 2006, the amount of the about US$15.6 million has been used for the acquisition of machinery and equipment for the Group's Suzhou plant. Given that the actual Net Proceeds amounted to US$30.6 million, the total remaining balance of the Net Proceeds of approximately US$14.6 million had been placed as short term deposits with licensed banks in Hong Kong and the PRC and is expected to be applied for the purposes as disclosed in the Prospectus and the announcements mentioned above.

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 2006. 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 and the code of conduct throughout the year ended 31 December 2006 and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the code of conduct.

Report of the Directors

CORPORATE GOVERNANCE

During the year ended 31 December 2006, the Company has fully complied with the requirements under the Code Provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, 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.

Report of the Directors

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 at any time during the financial year ended 31 December 2006.

AUDITORS

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

Messrs. Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment at the 2007 AGM. A resolution will be proposed at the 2007 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lin Cheng Hung
Chairman
Hong Kong, 19 April 2007

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Global Flex Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 66, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

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 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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
19 April 2007

Consolidated Income Statement

For the year ended 31 December 2006

	NOTES	**2006**	2005
		US$	US$
Revenue	5	**315,536,882**	176,900,271
Cost of sales		**(279,024,077)**	(149,442,812)
Gross profit		**36,512,805**	27,457,459
Other income	7	**2,954,314**	2,481,529
Distribution costs		**(7,660,860)**	(3,444,525)
Administrative expenses		**(11,616,788)**	(7,051,578)
Finance costs	8	**(6,182,271)**	(3,019,681)
Profit before taxation		**14,007,200**	16,423,204
Income tax expense	9	**(1,619,195)**	(2,233,892)
Profit for the year	10	**12,388,005**	14,189,312
Dividend	12	**4,354,839**	—
Basic earnings per share	13	**0.0099**	0.0134

Consolidated Balance Sheet

At 31 December 2006

	NOTES	2006 US$	2005 US$
Non-current assets			
Property, plant and equipment	14	**79,866,481**	65,967,552
Prepaid lease payments - non-current portion	15	**3,606,479**	1,233,441
Deposits paid for acquisition of property, plant and equipment		**3,764,043**	1,309,292
Available-for-sale investment	16	**22,008**	22,008
		87,259,011	68,532,293
Current assets			
Inventories	17	**48,605,601**	32,686,107
Trade and other receivables	18	**143,119,493**	72,728,968
Prepaid lease payments - current portion	15	**428,794**	21,678
Pledged bank deposits	19	**13,517,139**	28,645,619
Bank balances and cash	19	**46,782,638**	46,318,124
		252,453,665	180,400,496
Current liabilities			
Trade and other payables	20	**103,281,270**	54,910,302
Tax liabilities		**392,775**	774,937
Bank borrowings - due within one year	21	**114,663,379**	83,578,112
		218,337,424	139,263,351
Net current assets		**34,116,241**	41,137,145
Total assets less current liabilities		**121,375,252**	109,669,438
Non-current liability			
Bank borrowings - due after one year	21	**3,841,869**	4,932,182
		117,533,383	104,737,256
Capital and reserves			
Share capital	22	**16,129,032**	16,129,032
Reserves		**101,404,351**	88,608,224
		117,533,383	104,737,256

The consolidated financial statements on pages 34 to 66 were approved and authorised for issue by the Board of Directors on 19 April 2007 and are signed on its behalf by:

Lin Cheng Hung
DIRECTOR

Huang Lien Tsung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Share capital US$	Share premium US$	Merger reserve US$	Statutory reserve US$	Capital reserve US$ (Note 24)	Exchange reserve US$	Accumulated profits US$	Total US$
At 1 January 2005	32,000,000	—	—	2,917,547	—	(8,094)	22,733,231	57,642,684
Exchange differences on translation of foreign operations 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 and 1 January 2006	16,129,032	15,631,536	31,987,096	4,588,827	—	1,149,502	35,251,263	104,737,256
Exchange differences on translation of foreign operations recognised directly in equity	—	—	—	—	—	3,679,090	—	3,679,090
Profit for the year	—	—	—	—	—	—	12,388,005	12,388,005
Total recognised income and expense for the year	—	—	—	—	—	3,679,090	12,388,005	16,067,095
Dividend paid	—	—	—	—	—	—	(4,354,839)	(4,354,839)
Recognition of equity-settled share-based payment expenses	—	—	—	—	1,083,871	—	—	1,083,871
Transfer	—	—	—	1,802,415	—	—	(1,802,415)	—
At 31 December 2006	16,129,032	15,631,536	31,987,096	6,391,242	1,083,871	4,828,592	41,482,014	117,533,383

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 International Ltd., a subsidiary of the Company, acquired pursuant to a group reorganisation on 5 July 2005.

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., a subsidiary of the Company, 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.

Conolidated Cash Flow Statement

For the year ended 31 December 2006

	2006	2005
	US$	US$
OPERATING ACTIVITIES		
Profit before taxation	**14,007,200**	16,423,204
Adjustments for:		
Allowance for bad and doubtful debts	**1,370,470**	741,702
Write-back of allowance for bad and doubtful debts	**—**	(129,354)
Write-down of inventories	**4,212,882**	715,069
Release of prepaid lease payments	**32,445**	9,811
Finance costs	**6,182,271**	3,019,681
Interest income	**(1,579,714)**	(242,603)
Depreciation of property, plant and equipment	**7,321,694**	6,162,268
Listing expenses charged to the income statement	**—**	1,192,831
Share-based payment expenses	**1,083,871**	—
Operating cash flows before movements in working capital	**32,631,119**	27,892,609
Increase in inventories	**(20,132,376)**	(3,307,014)
Increase in trade and other receivables	**(71,760,995)**	(7,141,303)
Decrease in amount due from ultimate holding company	**—**	67,015
(Increase) decrease in amount due from a related company	**—**	144,954
Increase in trade an other payables	**54,035,421**	2,010,047
Decrease in amount due to a related company	**—**	(4,270,681)
Cash (outflow) generated from operations	**(5,226,831)**	15,395,627
Income tax paid	**(2,001,357)**	(3,784,511)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(7,228,188)**	11,611,116
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(26,803,360)**	(18,641,607)
Prepaid lease payment paid	**(2,787,065)**	—
Decrease (increase) in pledged bank deposits	**15,128,480**	(20,471,317)
Interest received	**1,579,714**	242,603
NET CASH USED IN INVESTING ACTIVITIES	**(12,882,231)**	(38,870,321)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**231,309,255**	185,137,800
Repayment of bank and other borrowings	**(200,289,731)**	(145,394,521)
Interest paid	**(6,182,271)**	(3,019,681)
Dividend paid	**(4,354,839)**	(626,600)
Net proceeds from new shares issue and listing	**—**	30,554,833
NET CASH FROM FINANCING ACTIVITIES	**20,482,414**	66,651,831
NET INCREASE IN CASH AND CASH EQUIVALENTS	**371,995**	39,392,626
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**46,318,124**	6,964,986
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**92,519**	(39,488)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**46,782,638**	46,318,124

Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Vertex Precision Electronics Inc. ("Vertex"), a company incorporated in Taiwan with limited liability and listed on Gretai Securities market of the Republic of China. The Company's immediate holding company is Century Champion Group Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of annual report.

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 31.

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

Notes to the Financial Statements

For the year ended 31 December 2006

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) - INT 8	Scope of HKFRS 2[4]
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions[7]
HK(IFRIC) - INT 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 March 2006

4 Effective for annual periods beginning on or after 1 May 2006

5 Effective for annual periods beginning on or after 1 June 2006

6 Effective for annual periods beginning on or after 1 November 2006

7 Effective for annual periods beginning on or after 1 March 2007

8 Effective for annual periods beginning on or after 1 January 2008

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with 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 and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 represents property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress are carried at cost, less any identified impairment losses. Construction in progress is classified to the appropriate category of property, plant and equipment when competed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commence when the assets are ready for their intended use.

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.

Share-based payment transactions

Shares granted by the controlling shareholder

The fair value of services received determined by reference to the fair value of shares granted at the grant date is recognised as an expense in full at the grant date when the shares granted vested immediately, with a corresponding increase in equity (capital reserve).

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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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 consolidated 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 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.

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 terms 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 terms.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group as lessee

Rentals payables under operating leases are charged to profit or loss on a straight line basis over the terms 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 terms 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 in the respective 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

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 when employees have rendered service entitling them to the contributions.

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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 and balances) 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-for-maturity investments.

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 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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest 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.

Notes to the Financial Statements

For the year ended 31 December 2006

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank deposits and balances, bank borrowings, trade and other receivables and trade and other 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. 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 2006 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 and the receivable balance amounted to USD75,634,518, amounted to 59% of the total trade receivables of the Group. In order to minimise the credit risk, management 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 deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits and bank borrowings which carry interest at fixed rates. Fixed rate interest expose the Group to fair value interest rate risk.

The Group's cash flow interest rate risk relates primarily to floating rates interest of bank balances.

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

Several subsidiaries of the Company operate in the People's Republic of China (the "PRC"), with transactions in renminbi. Therefore, the Group is exposed to foreign currency risk.

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

Notes to the Financial Statements

For the year ended 31 December 2006

5. 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:

	2006	2005
	US$	US$
Flexible printed circuit boards	**19,146,234**	17,053,763
Rigid printed circuit boards	**69,970,654**	50,522,526
Flexible printed circuit boards assembly	**165,563,947**	99,081,343
Rigid printed circuit boards assembly	**60,856,047**	10,242,639
	315,536,882	176,900,271

6. 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

Notes to the Financial Statements

For the year ended 31 December 2006

6. SEGMENTAL INFORMATION *(Continued)*

	Flexible printed circuit boards		Rigid printed circuit boards		Flexible printed circuit boards assembly		Rigid printed circuit boards assembly		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	US$	US$	**US$**	US$	**US$**	US$	**US$**	US$	**US$**	US$
REVENUE										
External sales	**19,146,234**	17,053,763	**69,970,654**	50,522,526	**165,563,947**	99,081,343	**60,856,047**	10,242,639	**315,536,882**	176,900,271
RESULTS										
Segment results	**384,500**	1,171,323	**2,268,646**	1,360,877	**24,680,454**	20,781,036	**1,518,345**	699,698	**28,851,945**	24,012,934
Unallocated income									**2,954,314**	2,481,529
Unallocated expenses									**(11,616,788)**	(7,051,578)
Finance costs									**(6,182,271)**	(3,019,681)
Profit before taxation									**14,007,200**	16,423,204
Income tax expense									**(1,619,195)**	(2,233,892)
Profit for the year									**12,388,005**	14,189,312
ASSETS										
Segment assets	**82,868,264**	57,956,860	**73,196,064**	72,149,572	**67,741,709**	36,503,237	**54,139,732**	4,959,784	**277,945,769**	171,569,453
Unallocated assets									**61,766,907**	77,363,336
Consolidated total assets									**339,712,676**	248,932,789
LIABILITIES										
Segment liabilities	**27,542,018**	18,378,971	**22,150,919**	10,454,291	**33,076,770**	14,977,514	**20,389,678**	11,099,526	**103,159,385**	54,910,302
Unallocated liabilities									**119,019,908**	89,285,231
Consolidated total liabilities									**222,179,293**	144,195,533
OTHER INFORMATION										
Allowance for bad and doubtful debts	**430,348**	220,435	**314,835**	328,280	**370,957**	179,050	**254,330**	13,937	**1,370,470**	741,702
Write-down for inventories	**1,419,540**	381,104	**776,599**	256,028	**1,130,540**	77,838	**886,203**	99	**4,212,882**	715,069
Capital additions	**5,110,051**	4,058,592	**7,441,532**	1,819,319	**3,366,508**	1,085,162	**2,772,294**	8,526,292	**18,690,385**	15,489,365
Depreciation of property, plant and equipment and release of prepaid lease payments	**2,005,103**	2,080,190	**2,915,756**	3,020,837	**1,328,990**	872,008	**1,104,290**	199,044	**7,354,139**	6,172,079

Notes to the Financial Statements

For the year ended 31 December 2006

6. SEGMENTAL INFORMATION *(Continued)*

Geographical segments

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

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

	2006	2005
	US$	US$
The PRC, including Hong Kong	**271,323,560**	135,365,202
United States of America	**12,823,013**	11,106,477
South East Asia	**13,122,542**	23,332,176
Europe	**2,069,854**	2,072,802
Taiwan	**4,408,211**	1,502,234
Others	**11,789,702**	3,521,380
	315,536,882	176,900,271

As at 31 December 2006 and 2005, 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.

7. OTHER INCOME

	2006	2005
	US$	US$
Interest income	**1,579,714**	242,603
Rental income	**7,684**	7,398
Sales of scrap materials	**1,198,287**	660,244
Tax incentive payment received	**—**	1,201,399
Net exchange gain	**—**	74,698
Write-back of other payables	**—**	177,705
Others	**168,629**	117,482
	2,954,314	2,481,529

Notes to the Financial Statements

For the year ended 31 December 2006

8. FINANCE COSTS

	2006	2005
	US$	US$
Interest on:		
- bank borrowings wholly repayable within five years	**6,182,271**	3,001,601
- other borrowings	**—**	18,080
	6,182,271	3,019,681

9. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arose, or was 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)"), Forever Jade Electronics (Suzhou) Company Limited ("Forever Jade (Suzhou)") and Global Flex (Suzhou) Plant II Co., Ltd ("Global Flex (Suzhou) Plant II"), PRC subsidiaries of the Company, are entitled to the exemptions from 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 ("Tax Holidays"). The first profit-making year of Global Flex (Suzhou) and Forever Jade (Suzhou) is the year ended 31 December 2002 and 31 December 2006, respectively. Global Flex (Suzhou) has its operations located in Suzhou, the PRC which is the coastal economic open zones and is subject to a preferential tax rate of 27%. Global Flex (Suzhou) Plant II was in the pre-operating stage and did not enjoy the Tax Holidays in 2006. Accordingly, the profit generated by Global Flex (Suzhou) Plant II during the year ended 31 December 2006 was subject to FEIT at a rate of 27%.

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

	2006	2005
	US$	US$
Profit before taxation	**14,007,200**	16,423,204
Tax at the domestic income tax rate of 27%	**3,781,943**	4,434,265
Tax effect of income not taxable for tax purpose	**(419,441)**	(437,843)
Tax effect of expenses not deductible for tax purpose	**980,201**	899,264
Effect of tax exemptions granted to the PRC subsidiaries	**(2,723,508)**	(2,661,794)
Tax charge for the year	**1,619,195**	2,233,892

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.

Notes to the Financial Statements

For the year ended 31 December 2006

10. PROFIT FOR THE YEAR

	2006 US$	2005 US$
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
- salaries and allowances	**23,821,981**	17,317,129
- retirement benefits scheme contributions	**1,247,980**	1,881,049
- Share-based payment expenses	**1,083,871**	—
Total staff costs	**26,153,832**	19,198,178
Auditors' remuneration	**157,629**	111,918
Allowance for bad and doubtful debts	**1,370,470**	741,702
Write-down of inventories	**4,212,882**	715,069
Release of prepaid lease payments	**32,445**	9,811
Cost of inventories recognised as an expense	**274,811,195**	148,727,743
Depreciation of property, plant and equipment	**7,321,694**	6,162,268
Listing expenses charged to the income statement	**—**	1,192,831
Loans handling fee paid	**—**	82,550
Net exchange loss (gain)	**1,265,776**	(63,774)
Write-back of allowance for bad and doubtful debts	**—**	(129,354)

Notes to the Financial Statements

For the year ended 31 December 2006

11. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

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

2006

	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$	Chow Chi Tong US$	Liao Kuang Sheng US$	Total US$
Fees	—	—	—	—	—	—	—	—	—	—	—	—
Other emoluments												
Salaries and other benefits	146,718	159,588	117,390	23,226	23,226	23,226	23,226	9,161	15,484	14,065	7,742	563,052
Bonus	75,000	75,000	41,250	—	—	—	—	—	—	—	—	191,250
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payment expense	—	144,516	18,065	—	—	21,678	—	—	—	—	—	184,259
Total emoluments	221,718	379,104	176,705	23,226	23,226	44,904	23,226	9,161	15,484	14,065	7,742	938,561

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										
Salaries and other benefits	128,081	157,834	58,631	11,613	11,613	11,613	5,806	11,613	11,613	418,417
Bonus	49,836	41,700	—	—	—	—	—	—	—	81,536
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

The five highest paid individuals included three directors (2005: two), details of whose emoluments are included above. The emoluments of the remaining two individuals (2005: three) are as follows:

	2006 US$	2005 US$
Salaries and other emoluments	**208,582**	250,490
Bonus	**95,000**	165,000
Retirement benefit scheme contributions	**—**	—
Share-based payment expenses	**144,516**	—
	447,898	415,490

Notes to the Financial Statements

For the year ended 31 December 2006

11. DIRECTORS' AND EMPLOYEES' REMUNERATIONS *(Continued)*

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
Nil to HK$1,000,000	**—**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	—
	2	3

For the years ended 31 December 2006 and 2005, 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.

12. DIVIDEND

	2006 US$	2005 US$
Ordinary shares:		
Final, paid - HK2.7 cents (2005: nil)	**4,354,839**	—

The final dividend of HK2.86 cents per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. BASIC EARNINGS PER SHARE

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

	2006 US$	2005 US$
Earnings for the purposes of basic earnings per share	**12,388,005**	14,189,312
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,250,000,000**	1,056,849,315

Notes to the Financial Statements

For the year ended 31 December 2006

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	US$	US$	US$	US$	US$	US$
COST						
At 1 January 2005	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
Exchange adjustments	612,295	2,465,936	28,286	99,506	21,692	3,227,715
Additions	685,681	11,663,294	348,408	2,113,908	3,879,094	18,690,385
Transfer	997,669	127,646	—	455,472	(1,580,787)	—
At 31 December 2006	18,164,308	78,165,785	1,109,785	5,252,690	2,882,245	105,574,813
DEPRECIATION						
At 1 January 2005	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
Exchange adjustments	117,756	525,797	10,727	43,197	—	697,477
Provided for the year	846,995	5,912,574	100,535	461,590	—	7,321,694
At 31 December 2006	3,628,987	20,065,281	389,259	1,624,805	—	25,708,332
CARRYING VALUES						
At 31 December 2006	14,535,321	58,100,504	720,526	3,627,885	2,882,245	79,866,481
At 31 December 2005	13,204,427	50,281,999	455,094	1,463,786	562,246	65,967,552

14. 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%

The Group has pledged property, plant and equipment having a net book value of US$16,899,538 (2005: US$31,678,922) to secure general banking facilities granted to the Group.

15. PREPAID LEASE PAYMENTS

	2006	2005
	US$	US$
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**4,035,273**	1,255,119
Analysed for reporting purposes as:		
Current asset	**428,794**	21,678
Non-current asset	**3,606,479**	1,233,441
	4,035,273	1,255,119

The Group has pledged prepaid lease payments having a net book value of US$222,134 (2005: US$267,307) to secure general banking facilities granted to the Group.

16. 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.

Notes to the Financial Statements

For the year ended 31 December 2006

17. INVENTORIES

	2006 US$	2005 US$
Raw materials	**20,891,534**	16,207,910
Work in progress	**8,559,539**	7,739,537
Finished goods	**19,154,528**	8,738,660
	48,605,601	32,686,107

18. 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 trade receivables as at each of the balance sheet date are as follows:

	2006 US$	2005 US$
Trade receivables:		
0 - 30 days	**44,360,145**	23,166,763
31 - 60 days	**40,696,436**	19,932,283
61 - 90 days	**25,613,542**	12,206,124
91 - 120 days	**9,341,355**	7,795,895
121 - 150 days	**5,134,024**	2,856,401
Over 150 days	**3,963,804**	1,516,026
	129,109,306	67,473,492
Other receivables	**14,010,187**	5,255,476
	143,119,493	72,728,968

The fair values of the trade and other receivables approximate the corresponding carrying amounts.

19. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

The Group has pledged bank deposits to secure the general banking facilities granted to the Group.

The bank deposits and balances carry fixed interest rate of 5.02% to 6.12% per annum (2005: 3% to 3.5% per annum). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings. The fair values of bank deposits, bank balance and cash approximate to the corresponding carrying amounts.

Notes to the Financial Statements

For the year ended 31 December 2006

20. TRADE AND OTHER PAYABLES

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

	2006	2005
	US$	US$
Trade payables:		
0 - 90 days	**78,793,089**	34,793,841
91 - 120 days	**7,422,400**	4,146,871
121 - 180 days	**3,145,673**	1,880,511
181 - 365 days	**1,141,744**	729,910
Over 365 days	**650,315**	147,149
	91,153,221	41,698,282
Other payables	**12,128,049**	13,212,020
	103,281,270	54,910,302

The fair values of the trade and other payables approximate to the corresponding carrying amounts.

21. BANK BORROWINGS

	2006	2005
	US$	US$
Bank loans	**118,505,248**	88,510,294
Secured	**75,036,611**	61,825,634
Unsecured	**43,468,637**	26,684,660
	118,505,248	88,510,294
Carrying amount repayable:		
On demand or within one year	**114,663,379**	83,578,112
More than one year, but not exceeding two years	**3,841,869**	4,932,182
	118,505,248	88,510,294

Notes to the Financial Statements

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21. BANK BORROWINGS *(Continued)*

The Group's borrowings are denominated in foreign currencies of the relevant group entities are set out below:

	RMB
As at 31 December 2006	611,400,000
As at 31 December 2005	63,560,294

Bank loans were fixed-rate borrowings which carried interest ranging from 3.13% to 6.9% per annum (2005: from 1.93% to 5.94% per annum) and were repayable by instalments over the loan period.

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

22. SHARE CAPITAL OF THE COMPANY

	Notes	**Number of shares**	**Nominal value** HK$
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2005		1,000,000	100,000
Increase in authorised share capital	(i)	4,999,000,000	499,900,000
At 31 December 2005 and 2006		5,000,000,000	500,000,000
Issued and fully paid:			
At 1 January 2005		1	—
Issue of shares on a group reorganisation	(ii)	999,999	100,000
Issue of shares through initial public offer	(iii)	250,000,000	25,000,000
Capitalisation issue	(iv)	999,000,000	99,900,000
At 31 December 2005 and 2006		1,250,000,000	125,000,000
Shown in financial statements as			US$16,129,032

22. SHARE CAPITAL OF THE COMPANY *(Continued)*

The following changes in the share capital of the Company took place during the period from 1 January 2005 to 31 December 2006:

(i) Pursuant to the written resolution of the then 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.

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

(iii) 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.

(iv) Pursuant to a written resolution of the then 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 placing 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.

23. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of the then 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 10 October 2005 ("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.

As at 31 December 2006, the total number of shares available for issue in respect thereof is 125,000,000 shares, representing 10% of the total issue shares.

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23. 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.

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 2006.

24. CAPITAL RESERVE

During the year ended 31 December 2006, a controlling shareholder of the Company bestowed 15,000,000 ordinary shares in the Company to several employees of the Company. This transaction falls within one of the three types of share-based payment transaction - equity-settled share-based payment transaction and the Company measured the services rendered, and the corresponding increase in equity, directly, at the fair value of the shares given.

Notes to the Financial Statements

For the year ended 31 December 2006

25. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases was US$351,984 (2005: US$104,306).

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

	2006	2005
	US$	US$
Within one year	245,895	145,982
In the second to fifth year inclusive	207,334	66,451
	453,229	212,433

Operating lease payments represent rentals payable by the Group for its factories and staff quarters. Lease terms are negotiated for a term ranged from one to five years with fixed rentals.

The Group as lessor

Property rental income earned during the year was US$7,684 (2005: US$7,398). The properties held for rental purpose have committed tenants for a term ranged from one to three years.

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

	2006	2005
	US$	US$
Within one year	7,684	1,850
In the second to third year inclusive	10,245	—
	17,929	1,850

Notes to the Financial Statements

For the year ended 31 December 2006

26. CAPITAL COMMITMENTS

	2006 US$	2005 US$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**12,696,171**	771,952

27. 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:

	2006 US$	2005 US$
Property, plant and equipment	**16,899,538**	31,678,922
Prepaid lease payments	**222,134**	267,307
Trade receivables	**49,529,551**	7,242,937
Bank deposits	**13,517,139**	28,645,619

28. RETIREMENT BENEFIT SCHEME

In accordance with the relevant PRC rules and regulations, the PRC subsidiaries are required to establish defined contribution plans 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 the Group is calculated according to the level regulated by the municipal government.

The total cost charged to income of US$1,247,980 (2005: US$1,881,049) represents contributions payable to this scheme by the Group in respect of the current accounting period. As at 31 December 2006, contributions of US$386,052 (2005: US$387,743) due in respect of the reporting period had not been paid over to the scheme.

Notes to the Financial Statements

For the year ended 31 December 2006

29. RELATED PARTY DISCLOSURES

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

Name of related parties	Nature of transactions	2006 US$	2005 US$
Mr. Lin Cheng Hung, a director	Rental paid	**7,684**	—
Mr. Hsu Chung, a director	Rental paid	**20,554**	18,089
Beshine Technologies Inc.	Purchase of materials	**—**	638,663

Beshine Technologies Inc. is beneficially owned by Mr. Lin Cheng Hung.

During the year, the Group entered into an agreement to acquire machineries from Vertex with an aggregate consideration of approximately US$1,773,000. As at 31 December 2006, a deposit of US$901,000 was paid for this acquisition. Details of the transaction were set out in the Company's announcement dated 11 October 2006.

Compensation of key management personnel

The emoluments of directors and other members of key management of the Group during the year were set out in note 11.

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

Share-based payments are granted to several members of key management during the year.

Notes to the Financial Statements

For the year ended 31 December 2006

30. SUMMARISED BALANCE SHEET OF THE COMPANY

The summarised balance sheet of the Company as at 31 December 2006 are as follows:

	Note	**2006**	2005
		US$	US$
Assets			
Investments in subsidiaries		**55,136,256**	32,123,872
Amounts due from subsidiaries		**10,083,664**	17,544,866
Other receivables		**31,282**	1,525,548
Bank balances and cash		**6,649,407**	12,878,587
		71,900,609	64,072,873
Liability			
Other payables		**185,545**	107,742
		71,715,064	63,965,131
Capital and reserves			
Share capital		**16,129,032**	16,129,032
Reserves	(a)	**55,586,032**	47,836,099
		71,715,064	63,965,131

Notes to the Financial Statements

For the year ended 31 December 2006

30. SUMMARISED BALANCE SHEET OF THE COMPANY

Note:

(a) Reserves

	Share premium US$	Contributed surplus US$	Capital reserve US$	Accumulated profits 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
Recognition of equity-settled share-based payment expenses	—	—	1,083,871	—	1,083,871
Dividend paid	—	—	—	(4,354,839)	(4,354,839)
Profit for the year	—	—	—	11,020,901	11,020,901
At 31 December 2006	15,631,536	32,110,967	1,083,871	6,759,658	55,586,032

Notes to the Financial Statements

For the year ended 31 December 2006

31. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2006 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 Electronics (Suzhou)	The PRC	N/A	US$7,000,000	—	100%	Manufacturing and trading of rigid printed circuit boards assembly
Forever Jade Holding Limited	Samoa	Ordinary	US$7,000,000	100%	—	Inactive
Global Flex Technology (Korea) Inc.	Korea	Ordinary	WON50,000,000	—	100%	Trading of printed circuit boards
*Global Flex (Suzhou)	The PRC	N/A	US$48,000,000	—	100%	Manufacturing and trading of printed circuit boards
Global Technology International Ltd.	British Virgin Islands/ Taiwan	Ordinary	US$48,000,000	100%	—	Investment holding and trading of printed circuit boards
Value Manage International Limited	Hong Kong	Ordinary	HK$2,000,000	—	100%	Provision of administrative service
*Global Flex (Suzhou) Plant II	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	**2006**
	US$	US$	US$	US$	**US$**
Turnover	54,107,997	72,724,810	165,732,442	176,900,271	**315,536,882**
Profit for the year	3,200,551	6,192,530	25,106,432	14,189,312	**12,388,005**

ASSETS AND LIABILITIES

	As at 31 December				
	2002	2003	2004	2005	**2006**
	US$	US$	US$	US$	**US$**
Total assets	56,388,346	91,297,197	169,021,398	248,932,789	**339,712,676**
Total liabilities	(33,273,576)	(60,960,945)	(111,378,714)	(144,195,533)	**(222,179,293)**
Shareholders' funds	23,114,770	30,336,252	57,642,684	104,737,256	**117,533,383**

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 results for the two years ended 31 December 2006, and the assets and liabilities as at 31 December 2005 and 2006 have been extracted from the audited consolidated income statement and audited consolidated balance sheet as set out on pages 34 and 35, respectively, of the annual report.