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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 471)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

SUMMARY OF RESULTS

The board (the "Board") of directors (the "Directors") of Global Flex Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	**2006**	2005
		US$	*US$*
Revenue	4	**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	5	**2,954,314**	2,481,529
Distribution costs		**(7,660,860)**	(3,444,525)
Administrative expenses		**(11,616,788)**	(7,051,578)
Finance costs	6	**(6,182,271)**	(3,019,681)
Profit before taxation		**14,007,200**	16,423,204
Income tax expense	7	**(1,619,195)**	(2,233,892)
Profit for the year	8	**12,388,005**	14,189,312
Dividend	9	**4,354,839**	—
Basic earnings per share	10	**0.0099**	0.0134

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006

	NOTES	**2006**	2005
		US$	*US$*
Non-current assets			
Property, plant and equipment		**79,866,481**	65,967,552
Prepaid lease payments - non-current portion		**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		**22,008**	22,008
		87,259,011	68,532,293
Current assets			
Inventories		**48,605,601**	32,686,107
Trade and other receivables	11	**143,119,493**	72,728,968
Prepaid lease payments - current portion		**428,794**	21,678
Pledged bank deposits		**13,517,139**	28,645,619
Bank balances and cash		**46,782,638**	46,318,124
		252,453,665	180,400,496
Current liabilities			
Trade and other payables	12	**103,281,270**	54,910,302
Tax liabilities		**392,775**	774,937
Bank borrowings - due within one year		**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		**3,841,869**	4,932,182
		117,533,383	104,737,256

	NOTES	**2006**	2005
		US$	*US$*
Capital and reserves			
Share capital		**16,129,032**	16,129,032
Reserves		**101,404,351**	88,608,224
		117,533,383	104,737,256

Notes:

1. REVIEW OF ANNUAL RESULTS

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2006 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 Company acts as an investment holding company.

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

3. 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 is 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

4. REVENUE AND SEGMENTAL INFORMATION

Business segments

For management purposes, the Group's business is currently organised into four operating divisions - flexible printed circuit boards ("FPC"), rigid printed circuit boards ("PCB"), flexible printed circuit boards assembly ("FPCA") and rigid printed circuit board assembly ("PCBA"). These divisions are the basis on which the Group reports its primary segment information.

The Group's principal activities are the manufacturing and trading of FPC, PCB, FPCA and PCBA:

	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

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.

5. 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

6. 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

7. 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"), which are subsidiaries of the Company in the PRC, 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.

8. PROFIT FOR THE YEAR

	2006	2005
	US$	*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)

9. DIVIDENDS

The final dividend of HK2.86 cents per share is to be proposed for approval by the shareholders in the forthcoming annual general meeting ("Annual General Meeting") of the Company. During the year ended 31 December 2005, the Company had paid dividends of US$4,354,839 to its shareholders. The dividend payable was settled during the year ended 31 December 2006.

10. BASIC EARNINGS PER SHARE

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

	2006	2005
	US$	*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

11. 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	2005
	US$	*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.

12. 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.

FINAL DIVIDEND

The Board recommended the declaration of a final dividend of HK2.86 cents per share, subject to shareholders' approval at the Annual General Meeting.

The final dividend will be payable on or about 30 June 2007 to shareholders whose names appear on the register of members of the Company on 21 May 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

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.

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.

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.

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.

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).

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 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) 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.

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.

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

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.

CONNECTED TRANSACTIONS

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

Acquisition of equipment from Vertex Precision Electronics Inc.

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 agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

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.

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.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting will be held on 21 May 2007. The notice convening the Annual General Meeting will be published in the newspapers and sent to the shareholders of the Company in due course.

By Order of the Board
Lin Cheng Hung
Chairman

Hong Kong, 19 April 2007

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