THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this prospectus or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Global Flex Holdings Limited** (the "Company"), you should at once hand the Prospectus Documents (as defined herein) to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Dealings in the existing Shares (as defined herein), the Offer Shares (as defined herein) and the Warrant Shares (as defined herein) may be settled through CCASS (as defined herein) established and operated by HKSCC (as defined herein). You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents registered by the Registrar of Companies" in Appendix IV to this prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of these documents.

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

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 471)

OPEN OFFER OF 636,000,000 OFFER SHARES AT HK$0.10 PER OFFER SHARE ON THE BASIS OF TWO OFFER SHARES FOR EVERY FIVE SHARES HELD ON THE RECORD DATE (WITH ONE WARRANT FOR EVERY FOUR OFFER SHARES TAKEN UP)

Underwriter to the Open Offer

SBI E2-Capital

The latest time for application and payment for the Offer Shares is 4:00 p.m. on Tuesday, 30 September 2008. The procedures for application and payment are set out on page 19 of this prospectus.

The Underwriting Agreement (as defined herein) in respect of the Open Offer (as defined herein) contains provisions entitling the Underwriter (as defined herein) by notice in writing to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 13 to 14 of this prospectus. **If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.**

It should be noted that the Shares have been dealt with on an ex-entitlements basis commencing from Friday, 5 September 2008 and that dealings in such Shares may take place whilst the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 6 October 2008) will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her position is recommended to consult his/her own professional adviser.

16 September 2008

If, prior to 4:00 p.m. on 6 October 2008, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, exist, or come into effect:

(i) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that, any of the warranties under the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Open Offer;

(ii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or

(iii) (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);

(c) any change in local, national or international equity securities or currency markets (including, but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);

(d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(e) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Group or a material proportion of the Shareholders in their capacity as such;

(f) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 5 Business Days; or

(g) any adverse change occurs in the circumstances of the Company or any member of the Group,

which event or events is or are in the reasonable opinion of the Underwriter:

(i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Company or the Group; or

(ii) likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares (with Warrants) taken up; or

(iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,

then, and in such case the Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing given to the Company on or before 4:00 p.m. on 6 October 2008 terminate the Underwriting Agreement.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Underwriter, except that the 3.5% underwriting fee shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Open Offer will not proceed.

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In this prospectus, unless the context requires otherwise, the following expressions have the following meanings:

"acting in concert"	has the meanings ascribed to it in the Hong Kong Code on Takeovers and Mergers
"Announcement"	the announcement of the Company dated 26 August 2008 in relation to, among others, the Open Offer
"Application Form"	the application form to be used by the Qualifying Shareholders to apply for Offer Shares
"associate(s)"	has the same meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which banks are generally open for business in Hong Kong other than a Saturday and a Sunday
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chi Capital"	Chi Capital Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Wong
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Global Flex Holdings Limited (stock code: 471), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	director(s) of the Company
"Exercise Period"	the period of 24 months from the date of issue of the Warrants
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Last Trading Day"	19 August 2008, being the last trading day before the suspension of trading of the Shares pending the release of the Announcement

"Latest Practicable Date"	12 September 2008, being the latest practicable date prior to the printing of Prospectus for ascertaining certain information herein
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wong"	Mr. Wong Chau Chi, an executive Director
"Non-Qualifying Shareholders"	Overseas Shareholders in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to extend the Open Offer to such Shareholders on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies or stock exchanges in those places
"Offer Share(s)"	new Share(s) to be issued and allotted under the Open Offer, being 636,000,000 Shares
"Open Offer"	the open offer of the Offer Shares by the Company on the basis of two Offer Shares for every five Shares held on the Record Date (with one Warrant for every four Offer Shares taken up) at a price of HK$0.10 per Offer Share
"Overseas Shareholders"	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register are in a place(s) outside Hong Kong
"Prospectus"	this prospectus
"Prospectus Documents"	the Prospectus and the Application Form
"Prospectus Posting Day"	the date of posting the Prospectus Documents to Qualifying Shareholders and the Prospectus to Non-Qualifying Shareholders for their information only
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
"Record Date"	12 September 2008, being the date by reference to which entitlements to the Open Offer are determined
"Registrar"	Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.10 each in the existing share capital of the Company
"Share Options"	the options to subscribe for Shares granted to eligible participants of the Company under the share option scheme of the Company adopted on 5 July 2005
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underwriter"	SBI E2-Capital (HK) Limited, the underwriter to the Open Offer
"Underwriting Agreement"	the underwriting agreement dated 19 August 2008 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer
"Underwritten Shares"	603,572,000 Offer Shares, representing the total number of Offer Shares to be issued pursuant to the Open Offer less those Offer Shares agreed and undertaken to be taken up by Chi Capital
"US$"	United States dollars, the lawful currency of the United States of America
"Warrant(s)"	unlisted unit warrant(s) to be issued by the Company to the successful applicants of the Offer Shares pursuant to the Open Offer, represented by certificates, conferring the rights in their registered form to the holders thereof to subscribe in cash for up to 159,000,000 Warrant Shares at an initial exercise price of HK$0.11 per Warrant Share (subject to adjustment) at any time during the Exercise Period
"Warrant Share(s)"	new Share(s) falling to be issued upon exercise of the subscription rights attaching to the Warrant(s)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%" or "per cent."	percentage or per centum

Unless otherwise specified, and for illustration purpose only, the amounts expressed in US$ have been translated into HK$ at the exchange rate of US$1.0 = HK$7.75 in this prospectus. The translation should not be taken as a representation that the relevant currency could actually be converted into HK$ at that rate or at all.

The expected timetable for the Open Offer is set out below:

	2008 *(Note 1)*
Latest time for acceptance of, and payment for, the Offer Shares *(Note 2)*	4:00 p.m. on Tuesday, 30 September
Underwriting Agreement expects to become unconditional	4:00 p.m. on Monday, 6 October
Announcement of results of acceptance of the Open Offer	by 11:00 p.m. on Monday, 6 October
Despatch of the respective certificates for the fully-paid Offer Shares and Warrants on or before	Thursday, 9 October
Dealings in the fully-paid Offer Shares	9:30 a.m. on Monday, 13 October

Notes:

1. All time refer to Hong Kong time.

2. **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR APPLICATION OF AND PAYMENT FOR THE OFFER SHARES**

   The latest time for application of and payment for the Offer Shares will not be 4:00 p.m. on Tuesday, 30 September 2008 if there is:

   - a tropical cyclone warning signal number 8 or above, or

   - a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 30 September 2008. Instead the latest time for application of and payment for the Offer Shares will be extended to 5:00 p.m. on the same day; or

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 30 September 2008. Instead the latest time for application of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

   If the latest time for acceptance of and payment for the Offer Shares does not take place on 30 September 2008, the dates mentioned in this section headed "Expected timetable" may be affected. An announcement will be made by the Company in such event.

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

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 471)

Executive Directors:
Mr. Lin Cheng Hung
Mr. Wong Chau Chi
Mr. Hsu Chung
Mr. Huang Lien Tsung

Non-executive Directors:
Mr. Chou Tsan Hsiung
Mr. Nguyen Duc Van
Mr. Yang Yi
Dr. Li Jun

Independent non-executive Directors:
Mr. Wang Wei Lin
Mr. Chow Chi Tong

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business:
1701-1702, 17/F
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

16 September 2008

To the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders

Dear Sir or Madam,

OPEN OFFER OF 636,000,000 OFFER SHARES AT HK$0.10 PER OFFER SHARE ON THE BASIS OF TWO OFFER SHARES FOR EVERY FIVE SHARES HELD ON THE RECORD DATE (WITH ONE WARRANT FOR EVERY FOUR OFFER SHARES TAKEN UP)

INTRODUCTION

On 26 August 2008, the Company announced that it proposes to raise not less than approximately HK$63.6 million (on the basis of the minimum number of Offer Shares) and not more than approximately HK$66.8 million (on the basis of the maximum number of Offer Shares) before expenses by way of the Open Offer of not less than 636,000,000 Offer Shares and not more than 667,800,000 Offer Shares at a subscription price of HK$0.10 per Offer Share with Warrants.

As at the Record Date, the Company has 1,590,000,000 Shares in issue. Accordingly, 636,000,000 Offer Shares will be issued and allotted under the Open Offer. The Company will allot two Offer Shares for every five Shares held to the Qualifying Shareholders on the Record Date with Warrants. The Open Offer is not available to the Non-Qualifying Shareholders. The Warrants will be issued to the subscribers of the Offer Shares without additional cost in the proportion of one Warrant for every four Offer Shares taken up.

The purpose of the Prospectus is to set out further information regarding the Open Offer, including information on dealings and application for Offer Shares, financial information and other information of the Group.

THE OPEN OFFER

Issue statistics:

Basis of the Open Offer	—	two Offer Shares for every five Shares held on the Record Date (with one Warrent for every four Offer Shares taken up)
Number of existing Shares in issue	—	1,590,000,000 Shares
Number of Offer Shares	—	636,000,000 Offer Shares of which 603,572,000 Offer Shares are underwritten by the Underwriter and 32,428,000 Offer Shares will be taken up by Chi Capital pursuant to the irrevocable undertaking from Chi Capital
Subscription price	—	HK$0.10 per Offer Share
Number of Warrants	—	159,000,000 Warrants
Enlarged issued share capital upon completion of the Open Offer	—	2,226,000,000 Shares

The Offer Shares proposed to be offered represent:

(a) 40% of the existing issued share capital of the Company; and

(b) approximately 28.6% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

Qualifying Shareholders:

The invitation to apply for Offer Shares is not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange and the Qualifying Shareholders are not entitled to subscribe for any Offer Shares in excess of their respective assured allotments.

Rights of the Overseas Shareholders:

The Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No persons receiving a copy of the Prospectus or the Application Form in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for Offer Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. It is the responsibility of Overseas Shareholders and any other person outside Hong Kong wishing to make an application for Offer Shares to satisfy himself/herself as to the observance of the laws and regulations of the relevant jurisdiction, including the obtaining of any government or other consents, and payment of any taxes and duties required to be paid in such jurisdiction in connection therewith.

Based on the register of members of the Company on the Record Date, there are six Shareholders who have a registered address in Taiwan, two Shareholders who have a registered address in the People's Republic of China, two Shareholders who have a registered address in the British Virgin Islands and one Shareholder who has a registered address in Belize. The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, sought legal advice regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange.

Based on the legal opinion provided by the lawyers in the People's Republic of China, the Directors consider that it is necessary or expedient not to extend the Open Offer to such Overseas Shareholders on account either of the legal restrictions under the laws of the People's Republic of China or the requirements of the relevant regulatory body or stock exchange in the People's Republic of China. Accordingly, the Overseas Shareholders whose registered addresses are in the People's Republic of China are Non-Qualifying Shareholders. The Company has been advised by lawyers in Belize, Taiwan and the British Virgin Islands that there is no applicable legal restriction against nor statutory filing or registration requirements required in those jurisdictions in making the Open Offer to those identified Overseas Shareholders by the Prospectus Documents. Therefore, the Overseas Shareholders whose registered addresses are in Belize, Taiwan and the British Virgin Islands are Qualifying Shareholders and the Open Offer will be available to such Overseas Shareholders and the Prospectus Documents shall be sent to them.

Subscription price:

The subscription price for the Offer Shares is HK$0.10 per Offer Share, payable in cash in full upon application. The subscription price represents:

(i) a discount of approximately 9.1% to the closing price per Share of approximately HK$0.110 as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 10.7% to the average closing price per Share of approximately HK$0.112 for the 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 12.3% to the average closing price per Share of approximately HK$0.114 for the 10 consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 40.8% over the closing price of HK$0.071 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price for the Offer Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares. As the Offer Shares are offered to all Qualifying Shareholders, the Directors would like to set the subscription price at a level that would attract the Qualifying Shareholders to participate in the Open Offer. The Directors (including independent non-executive Directors) consider the terms of the Open Offer, including the subscription price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Terms of the Warrants:

Exercise price

The exercise price for the Warrant is HK$0.11 per Warrant Share (subject to adjustments), which represents:

(i) the same price as the closing price of HK$0.110 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 1.8% to the average closing price of approximately HK$0.112 per Share for the 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 3.5% to the average closing price of approximately HK$0.114 per Share for the 10 consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 54.9% over the closing price of HK$0.071 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The exercise price for the Warrants was determined with reference to the current market price of the Shares. The Directors (including the independent non-executive Directors) consider that the terms of the Warrants, including the exercise price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The exercise price for the Warrants is subject to usual anti-dilutive adjustments under certain circumstances, including consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution. An announcement on such adjustment will be made as and when appropriate in accordance with the requirements of the Listing Rules.

Exercise Period

The subscription rights attaching to the Warrants may be exercised in whole or in part(s) within the period of 24 months from the date of issue of the Warrants. Based on 636,000,000 Offer Shares to be issued under the Open Offer, 159,000,000 Warrant Shares may fall to be issued upon the exercise of the subscription rights attached to the Warrants, representing 10% of the existing issued share capital of the Company and approximately 6.7% of the issued share capital of the Company as enlarged by the issue of Offer Shares and Warrant Shares. Assuming full exercise of the subscription rights attaching to the Warrants, the gross proceeds raised from the exercise of the Warrants are approximately HK$17.5 million. The Company intends to use the proceeds from the exercise of the Warrants for general working capital purposes. Any subscription rights attaching to the Warrants which have not been exercised on or before the last day of the Exercise Period will lapse and the Warrants will cease to be valid for all purposes.

Transferability and listing

The Warrants are freely transferable, except that prior written consent of the Company is required for any assignment or transfer of the Warrants to a connected person (as defined in the Listing Rules) of the Company. The Company will comply with the relevant requirements under the Listing Rules and make necessary announcement(s), where appropriate, if and when there is any assignment or transfer of the Warrants to a connected person of the Company. The Warrants constitute a new class of securities but no listing is being sought for the Warrants on the Stock Exchange or any other stock exchanges.

A summary of the terms and conditions of the Warrants are set out in Appendix III to the Prospectus.

Cost of subscription of the Offer Shares (with Warrants):

The Warrants will be issued to the subscribers of the Offer Shares as part of the Open Offer without additional payment. On the basis that one Warrant will be issued for every four Offer Shares taken up, the subscription price of HK$0.10 per Offer Share and the exercise price of HK$0.11 per Warrant Share, the aggregate of the subscription moneys payable by the Qualifying Shareholders for 636,000,000 Offer Shares and 159,000,000 Warrant Shares (upon exercise of the subscription rights attaching to the Warrants) would be HK$81,090,000, or an average of HK$0.102 per Share, which represents:

(i) a discount of approximately 7.3% to the closing price of HK$0.110 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 8.9% to the average closing price of approximately HK$0.112 per Share for the 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 10.5% to the average closing price of approximately HK$0.114 per Share for the 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 4.7% to the theoretical ex-rights price of approximately HK$0.107 per Share calculated based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a premium of approximately 43.7% over the closing price of HK$0.071 per Share as quoted on the Stock Exchange on Latest Practicable Date; and

(vi) a discount of approximately 77.2% to the audited consolidated net tangible assets per Share of approximately HK$0.448 as at 31 December 2007.

General Mandate:

The Shares to be issued upon full exercise of the subscription rights attaching to the Warrants, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, will not exceed 20% of the total issued share capital of the Company at the time the Warrants are issued.

As advised by the legal adviser of the Company, pursuant to the Articles of Association of the Company, Directors may issue warrants to subscribe for Shares on such terms as they may determine and there is no specific provision in the Articles of Association of the Company which requires approval of the Shareholders for the issue of the Warrants. The Warrant Shares will be allotted and issued under the general mandate which was granted to the Directors pursuant to an ordinary resolution of the Company passed at its annual general meeting on 30 May 2008 to allot and issue up to 300,000,000 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date. The general mandate has previously been utilised as to 90,000,000 Shares pursuant to a subscription of new Shares, details of which are set out in the section headed "Fund-raising activities in past twelve months" below.

Fractional entitlements:

Fractional entitlements to the Offer Shares and Warrants will not be issued but will be aggregated and taken up by the Underwriter.

Status of the Offer Shares and Warrant Shares:

The Offer Shares and the Warrant Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of the Offer Shares and the Warrant Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Offer Shares or the Warrant Shares (as the case may be).

No application for excess Offer Shares:

After arm's length negotiation with the Underwriter, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. The Company considers that the administrative costs would be lowered without the excess application.

Application for listing of the Offer Shares and the Warrant Shares:

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and the Warrant Shares. Dealings in the Offer Shares and the Warrant Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong. The Shares are currently traded in board lots of 2,500 Shares each.

Subject to the granting of listing of, and permission to deal in, the Offer Shares and the Warrant Shares on the Stock Exchange, the Offer Shares and the Warrant Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and the Warrant Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

UNDERWRITING ARRANGEMENTS

Irrevocable undertakings from Chi Capital and Mr. Wong

As at the Latest Practicable Date, Chi Capital is interested in 81,070,000 Shares, representing approximately 5.1% of the existing issued share capital of the Company. On 19 August 2008, Chi Capital irrevocably undertook to the Company that the Shares beneficially owned by it will not be disposed of from the date of the undertaking up to and including the Record Date and that it will take up its entitlement under the Open Offer in full, representing 32,428,000 Offer Shares. Mr. Wong has also irrevocably undertaken to the Company not to exercise any of the 12,500,000 Share Options granted to him on or before the Record Date. Save for the undertaking from Chi Capital to take up its full entitlement under the Open Offer, no Shareholder has indicated any intention to give undertaking to take up any Offer Shares under the Open Offer.

The Underwriting Agreement

Taking into account the undertakings from Chi Capital and Mr. Wong, the Underwriter has agreed to fully underwrite not more than 635,372,000 Offer Shares and not less than 603,572,000 Offer Shares at a subscription price of HK$0.10 per Offer Share. Based on the number of Shares in issue at Record Date, 603,572,000 Offer Shares are underwritten by the Underwriter. The Underwriter and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules). The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscribers for any Underwritten Shares not taken up by the Qualifying Shareholders.

Conditions of the Open Offer

The Open Offer is conditional on, among other things, each of the following conditions being fulfilled:

(i) the issue of the Announcement;

(ii) the delivery to the Stock Exchange for authorization and the filing with and registration of the Prospectus (with all documents required to be attached thereto by section 342C of the Companies Ordinance) and the Application Form (all having been duly authorised for registration by the Stock Exchange and signed by each of the Directors or by their agents authorised in writing) by the Registrar of Companies in Hong Kong in compliance with the Companies Ordinance by no later than the Prospectus Posting Date;

(iii) the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date;

(iv) the Listing Committee granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Offer Shares and the Warrant Shares;

(v) the compliance with and performance of the irrevocable undertakings by Chi Capital and Mr. Wong as described in the paragraph headed "Irrevocable undertakings from Chi Capital and Mr. Wong" above;

(vi) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and

(vii) trading in the Shares on the Stock Exchange not being suspended for more than five consecutive Business Days at any time prior to 4:00 p.m. on 6 October 2008, being the latest time for termination of the Underwriting Agreement (excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer).

Save and except for condition (vii) above, conditions set out above are not capable of being waived. If the conditions of the Open Offer under the Underwriting Agreement are not fulfilled (or waived by the Underwriter) by 4:00 p.m. on 31 October 2008 (or such later time and date as the Underwriter and the Company may agree in writing), the obligations of the Underwriter and the Company under the Underwriting Agreement shall cease and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, save in respect of any antecedent breach of any obligation under the Underwriting Agreement.

Underwriting commission

The Company will pay the Underwriter an underwriting commission of 3.5% of the aggregate subscription price of the maximum number of Underwritten Shares (i.e. 635,372,000 Shares), out of which the Underwriter may pay sub-underwriting fees. Both the Company and the Underwriter consider the underwriting commission is in line with the market rate. The Directors (including the independent non-executive Directors) are also of the view that the commission is fair and reasonable.

Termination of the Underwriting Agreement

If, prior to 4:00 p.m. on 6 October 2008, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, exist, or come into effect:

(i) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that, any of the warranties under the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Open Offer;

(ii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or

(iii) (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);

(c) any change in local, national or international equity securities or currency markets (including, but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);

(d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(e) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Group or a material proportion of the Shareholders in their capacity as such;

(f) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 5 Business Days; or

(g) any adverse change occurs in the circumstances of the Company or any member of the Group,

which event or events is or are in the reasonable opinion of the Underwriter:-

(i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Company or the Group; or

(ii) likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares (with Warrants) taken up; or

(iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,

then, and in such case the Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing given to the Company on or before 4:00 p.m. on 6 October 2008 terminate the Underwriting Agreement.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Underwriter, except that the 3.5% underwriting fee described above shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Open Offer will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is conditional upon, among other things, the fulfillment of the conditions set out above under the paragraph headed "Conditions of the Open Offer" above. In addition, the Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described above. Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Open Offer are fulfilled (which is expected to be at 4:00 p.m. on Monday, 6 October 2008) will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

SHAREHOLDING IN THE COMPANY

(i) Immediately upon completion of the Open Offer

The table below depicts the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Open Offer, on the basis of the public information available to the Company on the Latest Practicable Date and after the Directors have made reasonable enquiries:-

	As at the Latest Practicable Date		**Upon completion of the Open Offer**			
			Nil subscription by Shareholders *(Note 1)*		**100% subscription by Shareholders**	
Shareholders	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Century Champion Group Limited *(note 2)*	256,470,000	16.1%	256,470,000	11.5%	359,058,000	16.1%
Chi Capital *(note 3)*	81,070,000	5.1%	113,498,000	5.1%	113,498,000	5.1%
Lin Cheng Hung *(note 4)*	9,431,452	0.6%	9,431,452	0.4%	13,204,033	0.6%
Hsu Chung *(note 4)*	10,652,743	0.6%	10,652,743	0.5%	14,913,840	0.6%
Huang Lien Tsung *(note 4)*	2,626,292	0.2%	2,626,292	0.1%	3,676,809	0.2%
Nguyen Duc Van *(note 5)*	1,173,638	0.1%	1,173,638	0.1%	1,643,093	0.1%
Sub-total	*361,424,125*	*22.7%*	*393,852,125*	*17.7%*	*505,993,775*	*22.7%*
The Underwriter	—	0.0%	603,572,000	27.1%	—	0.0%
Public Shareholders	1,228,575,875	77.3%	1,228,575,875	55.2%	1,720,006,225	77.3%
Total holding of public Shareholders	*1,228,575,875*	*77.3%*	*1,832,147,875*	*82.3%*	*1,720,006,225*	*77.3%*
Total	1,590,000,000	100%	2,226,000,000	100%	2,226,000,000	100.0%

(ii) **Upon completion of the Open Offer and assuming full exercise of Warrants**

The table below depicts the possible shareholding structure of the Company as at the Latest Practicable Date and the changes upon completion of the Open Offer and assuming full exercise of Warrants, which is for illustration purpose only as the Underwriter has undertaken to the Company that (i) it will use its best efforts to ensure that the subscribers or purchasers (including the sub-underwriters and their respective beneficial owners) of the Underwritten Shares procured by it or by the sub-underwriters are third parties independent of and not acting in concert with the Company and its connected persons and/or associates (both as defined in the Listing Rules); and (ii) no such subscriber or purchaser of the Underwritten Shares shall be procured by it or by the sub-underwriters if allotment and issue of any Offer Shares (with Warrants) to it would result in it and any Shareholders and their respective associates and parties acting in concert with them, when aggregated with the Shares (if any) already held by them, becoming a substantial Shareholder or holding 30% or more of the enlarged issued share capital of the Company immediately after completion of the Open Offer:-

	As at the Latest Practicable Date		**Upon completion of the Open Offer and assuming full exercise of Warrants**			
			Nil subscription by Shareholders *(Note 1)*		**100% subscription by Shareholders**	
Shareholders	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Century Champion Group Limited *(note 2)*	256,470,000	16.1%	256,470,000	10.7%	384,705,000	16.1%
Chi Capital *(note 3)*	81,070,000	5.1%	121,605,000	5.1%	121,605,000	5.1%
Lin Cheng Hung *(note 4)*	9,431,452	0.6%	9,431,452	0.4%	14,147,178	0.6%
Hsu Chung *(note 4)*	10,652,743	0.6%	10,652,743	0.4%	15,979,115	0.6%
Huang Lien Tsung *(note 4)*	2,626,292	0.2%	2,626,292	0.1%	3,939,438	0.2%
Nguyen Duc Van *(note 5)*	1,173,638	0.1%	1,173,638	0.1%	1,760,457	0.1%
Sub-total	*361,424,125*	*22.7%*	*401,959,125*	*16.8%*	*542,136,188*	*22.7%*
The Underwriter	—	0.0%	754,465,000	31.6%	—	0.0%
Public Shareholders	1,228,575,875	77.3%	1,228,575,875	51.6%	1,842,863,812	77.3%
Total holding of public Shareholders	*1,228,575,875*	*77.3%*	*1,983,040,875*	*83.2%*	*1,842,863,812*	*77.3%*
Total	1,590,000,000	100%	2,385,000,000	100%	2,385,000,000	100.0%

Notes:

1. Assuming no Shareholder other than Chi Capital takes up their entitlement of Offer Shares and all the Underwritten Shares are taken up by the Underwriter.

2. These Shares are registered in the name of and beneficially owned by Century Champion Group Limited, the entire issued share capital of which is beneficially owned as to 100% by Vertex Precision Electronics Inc. ("Vertex"). 130,000,000 of these Shares are a security interest in shares charged in favour of Ta Chong Bank Co. Ltd. which

has not been set out separately in the above table. Each of Mr. Lin Cheng Hung, Mr. Hsu Chung (being current executive Directors), Ms. Lin Yi Ting and Mr. Liao Kuang Sheng (being former Directors), is a shareholder of Vertex as at the Latest Practicable Date. Mr. Lin Cheng Hung and Mr. Hsu Chung are indirectly interested in the business carried on by Vertex and its subsidiaries.

3. Mr. Wong is the sole beneficial owner and sole director of Chi Capital.

4. An executive Director.

5. A non-executive Director.

In performing its undertaking obligations under the Underwriting Agreement, the Underwriter expects that immediately after completion of the Open Offer, no subscriber or purchaser of the Underwritten Shares will become a substantial Shareholder.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

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

As a result of rising material costs, Renminbi appreciation and the tightening of credit facilities, the Group has been facing a difficult operating environment in recent year. For the year ended 31 December 2007, the Group recorded a loss attributable to the Shareholders of approximately US$29.8 million. The tightening of credit has also severely affected the liquidity position of the Group. As at 31 December 2007, the Group recorded net current liabilities of approximately US$7.3 million.

The Directors are of the view that the Open Offer would help to improve the Group's financial position and liquidity and raise working capital to sustain the Group's business development. The estimated net proceeds of the Open Offer will be approximately HK$60.4 million. The Company plans to use the net proceeds principally for general working capital purposes.

The Open Offer, which is on a fully underwritten basis, removes to a certain degree the completion risk associated with a fund-raising exercise such as a private placement on a best-effort basis. In addition, the Open Offer will not result in any interest expense being incurred by the Group when compared to bank borrowings. In the light of the present volatile capital market, the Directors consider that it is preferable to use equity funding to meet the Group's capital requirements. Also, taking into account the recent stock market conditions, the Open Offer is likely to be the most equitable and preferred mode of securing such equity funding. The Directors (including the independent non-executive Directors) believe that the Open Offer is in the interests of the Group and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN PAST TWELVE MONTHS

The table below sets out the equity fund raising activities of the Company in the past 12 months immediately preceding the Latest Practicable Date.

Nature of transaction	Date of mandate granted	Date of agreement	Date of announcement	Net proceeds	Intended use of net proceeds as announced	Actual use of net proceeds
Subscription of 250,000,000 new Shares	21 May 2007	21 May 2008	21 May 2008	Approximately HK$36.3 million	General working capital	Fully utilized as intended
Subscription of 90,000,000 new Shares	30 May 2008	11 July 2008	11 July 2008	Approximately HK$10.6 million	General working capital	Fully utilized as intended

Save as disclosed above, the Company has not carried out any fund-raising exercise in the 12-month period immediately preceding the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in manufacturing and trading of printed circuit boards. The Group has been facing a difficult situation this year of rising costs of material, Renminbi appreciation and credit facilities tightened up.

The Group will continuously attend to the development of the high end products of flexible printed circuit board assembly and high density interface printed circuit board. In addition, the Group has also concentrated on the development with new customers which are famous brand names in electronic device. The Directors consider that the Group should pay more attention to higher margin products and customers. In addition, in view of the fierce competition in the printed circuit boards industry, it will be the management's focus this year to enhance the management standard, optimize cost structure and actively minimize the overhead, distribution and administration cost. As announced by the Company on 2 July 2008, the Group has implemented new financial controls and other stated cost control measures to tighten the costs of operations and expenses.

In order to improve the Group's financial position, and to improve liquidity and cash flow to sustain the Group's further development, the Directors may consider further fund-raising exercise as appropriate. In addition, the Group has been negotiating with banks to restructure its bank loans and considering the disposal of some plant and equipment which do not directly affect the operation of the Group. The purpose of which is mainly for strengthening the working capital of the Group and reducing the cost of excess production capacity.

REQUIREMENT UNDER CAYMAN ISLANDS LAW

According to the Cayman Islands legal adviser of the Company, under Cayman Islands law and in accordance with the Articles of Association of the Company, (i) the Prospectus is not required to be registered in the Cayman Islands; (ii) there is no requirement for the Company to obtain any permission from any authority in the Cayman Islands in relation to the Open Offer; and (iii) there is no requirement for the Open Offer to be approved by the Shareholders.

PROCEDURES FOR APPLICATION AND PAYMENT

An Application Form is enclosed with the Prospectus which entitles you to apply for any number of Offer Shares (with Warrants). Qualifying Shareholders should note that they may apply for any lesser number of Offer Shares (with Warrants) but are assured of an allotment only up to the number set out in the Application Form. If you are a Qualifying Shareholder and you wish to apply for any number of Offer Shares (with Warrants not exceeding) your assured entitlement of Offer Shares (with Warrants) as specified in the enclosed Application Form, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Offer Shares (with Warrants) you have applied for to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Tuesday, 30 September 2008. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Global Flex Holdings Limited — Open Offer Account" and crossed "Account Payee Only".

It should be noted that the Application Form, together with the appropriate remittance, has to be lodged with the Registrar by not later than 4:00 p.m. on Tuesday, 30 September 2008 and any application received thereafter will be deemed to be invalid and rejected.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for a number of Offer Shares (with Warrants) different from that in your assured allotment.

All cheques or cashier's orders will be presented for payment upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the application will be deemed to be invalid and rejected.

If the conditions of the Open Offer are not fulfilled, the application monies will be refunded, without interest, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the address(es) specified in the register of members of the Company on or before Wednesday, 8 October 2008.

The Application Form is for use only by the person(s) named therein and are not transferable.

No receipt will be issued in respect of any application monies received.

CERTIFICATES OF OFFER SHARES AND WARRANTS

Subject to the fulfilment of the conditions of the Open Offer, certificates in respect of the Offer Shares and the Warrants will be sent through ordinary post to the applicants (or, in the case of joint applicants, to the first named applicant), at their own risk, to the addresses specified in the register of members of the Company. On the assumption that the Open Offer becomes unconditional on or about Monday, 6 October 2008, certificates in respect of the Offer Shares and the Warrants are expected to be posted on or before Thursday, 9 October 2008.

GENERAL

Your attention is drawn to the additional information set out in the appendices to the Prospectus.

Yours faithfully,
For and on behalf of
Global Flex Holdings Limited
Wong Chau Chi
Chairman

1. **Summary of Financial Information**

A summary of the published results and the assets and liabilities of the Group as extracted from the relevant annual reports of the Company is set out below:

RESULTS

	Year ended 31 December		
	2005	**2006**	**2007**
	US$	*US$*	*US$*
Turnover	176,900,271	315,536,882	311,602,789
Profit (Loss) for the year	14,189,312	12,388,005	(29,778,061)

ASSETS AND LIABILITIES

	As at 31 December		
	2005	**2006**	**2007**
	US$	*US$*	*US$*
Total assets	248,932,789	339,712,676	245,481,965
Total liabilities	(144,195,533)	(222,179,293)	(153,522,708)
Shareholders' funds	104,737,256	117,533,383	91,959,257

Notes:

1. The results for three years ended 31 December 2007, and the assets and liabilities as at 31 December 2005, 2006 and 2007 have been extracted from the audited consolidated income statement and audited consolidated balance sheet as set out in the Company's 2006 and 2007 annual reports.

2. **Summary of Audited Financial Statements**

Set out below is the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements of the Group as extracted from the annual report of the Company for the year ended 31 December 2007.

"Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	**2007**	**2006**
		US$	*US$*
Revenue	8	311,602,789	315,536,882
Cost of sales		(305,267,263)	(279,024,077)
Gross profit		6,335,526	36,512,805
Other income	9	5,727,810	2,954,314
Distribution and selling expenses		(8,389,231)	(7,660,860)
Administrative expenses		(19,917,785)	(11,616,788)
Impairment loss on property, plant and equipment		(5,366,859)	—
Finance costs	10	(7,582,069)	(6,182,271)
(Loss) profit before taxation		(29,192,608)	14,007,200
Income tax expense	11	(585,453)	(1,619,195)
(Loss) profit for the year	12	(29,778,061)	12,388,005
Dividends	14	4,612,903	4,354,839
(Loss) earnings per share	15		
— Basic		(0.0238)	0.0099
— Diluted		N/A	N/A

Consolidated Balance Sheet
At 31 December 2007

	NOTES	**2007** *US$*	**2006** *US$*
NON-CURRENT ASSETS			
Property, plant and equipment	16	93,147,521	79,866,481
Prepaid lease payments — non-current portion	17	3,403,783	3,606,479
Deposits paid for acquisition of property, plant and equipment		2,709,421	3,764,043
Available-for-sale investment	18	22,008	22,008
		99,282,733	87,259,011
CURRENT ASSETS			
Inventories	19	39,969,755	48,605,601
Trade and other receivables	20	86,316,301	143,119,493
Prepaid lease payments — current portion	17	459,233	428,794
Pledged bank deposits	21	8,597,630	13,517,139
Bank balances and cash	21	10,856,313	46,782,638
		146,199,232	252,453,665
CURRENT LIABILITIES			
Trade and other payables	22	83,975,312	103,281,270
Tax liabilities		450,877	392,775
Bank borrowings — due within one year	23	69,096,519	114,663,379
		153,522,708	218,337,424
NET CURRENT (LIABILITIES) ASSETS		(7,323,476)	34,116,241
TOTAL ASSETS LESS CURRENT LIABILITIES		91,959,257	121,375,252
NON-CURRENT LIABILITY			
Bank borrowings — due after one year	23	—	3,841,869
		91,959,257	117,533,383
CAPITAL AND RESERVES			
Share capital	24	16,129,032	16,129,032
Share premium and reserves		75,830,225	101,404,351
		91,959,257	117,533,383

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital	Share premium	Merger reserve	Statutory reserve	Share option reserve	Capital reserve	Exchange reserve	Accumulated profits	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
			(note 27)	*(note 28)*	*(note 25)*	*(note 26)*			
At 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 arising on translation recognised directly in equity	—	—	—	—	—	—	3,679,090	—	3,679,090
Profit for the year	—	—	—	—	—	—	—	12,388,005	12,388,005
Total recognised income 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 payments	—	—	—	—	—	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
Exchange differences arising on translation recognised directly in equity	—	—	—	—	—	—	7,640,872	—	7,640,872
Loss for the year	—	—	—	—	—	—	—	(29,778,061)	(29,778,061)
Total recognised income and expense for the year	—	—	—	—	—	—	7,640,872	(29,778,061)	(22,137,189)
Dividend paid	—	—	—	—	—	—	—	(4,612,903)	(4,612,903)
Recognition of equity-settled share-based payments	—	—	—	—	1,175,966	—	—	—	1,175,966
At 31 December 2007	16,129,032	15,631,536	31,987,096	6,391,242	1,175,966	1,083,871	12,469,464	7,091,050	91,959,257

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	2007	2006
	US$	*US$*
OPERATING ACTIVITIES		
(Loss) profit before taxation	(29,192,608)	14,007,200
Adjustments for:		
Impairment loss on property, plant and equipment	5,366,859	—
Impairment loss on trade and other receivables	6,248,276	1,370,470
Impairment loss on inventories	14,091,861	4,212,882
Release of prepaid lease payments	493,105	32,445
Finance costs	7,582,069	6,182,271
Interest income	(1,438,496)	(1,579,714)
Depreciation of property, plant and equipment	10,534,128	7,321,694
Share-based payments	1,175,966	1,083,871
Gain on disposal of property, plant and equipment	(14,535)	—
Operating cash flows before movements in working capital	14,846,625	32,631,119
Increase in inventories	(5,456,015)	(20,132,376)
Decrease (increase) in trade and other receivables	51,162,295	(71,760,995)
(Decrease) increase in trade and other payables	(19,305,958)	54,035,421
Cash inflow (outflow) generated from operations	41,246,947	(5,226,831)
Income tax paid	(527,351)	(2,001,357)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	40,719,596	(7,228,188)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22,291,596)	(26,803,360)
Prepaid lease payments made	(42,368)	(2,787,065)
Decrease in pledged bank deposits	4,919,509	15,128,480
Interest received	1,438,496	1,579,714
Proceeds from disposal of property, plant and equipment	34,084	—
NET CASH USED IN INVESTING ACTIVITIES	(15,941,875)	(12,882,231)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(110,640,078)	(200,289,731)
Interest paid	(7,582,069)	(6,182,271)
Dividend paid	(4,612,903)	(4,354,839)
New bank borrowings raised	60,242,916	231,309,255
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(62,592,134)	20,482,414
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(37,814,413)	371,995
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	46,782,638	46,318,124
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,888,088	92,519
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	10,856,313	46,782,638

Notes to the Financial Statements

For the year ended 31 December 2007

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"). The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 35.

The consolidated financial statements are presented in United States dollar while the functional currency of the Company is Renminbi. The Directors selected United States dollars as the presentation currency because most of the shareholders of the Company are located outside the People's Republic of China ("PRC") and United States dollars was considered to be more useful to the shareholders.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's loss of US$29,778,061 and net current liabilities of US$7,323,476 at 31 December 2007. The directors of the Company have been taking steps to improve the liquidity of the Group. The Group is in negotiations with independent third parties on a possible placement of new shares in the Company. The planning of the placement must be within the limitation of the Group's mandate which has been approved in the last annual general meeting. The Company intends to place new shares of more than 20% of existing ordinary shares of the Company. The directors of the Company plan to process the placement within several weeks after the date of the Group's final results announcement for the year ended 31 December 2007. On the basis that the planned placement will be successful, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions3
HK(IFRIC) — Int 12	Service Concession Arranagements4
HK(IFRIC) — Int 13	Customer Loyalty Programmes5
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

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

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

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

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

5 Effective for annual periods beginning on or after 1 July 2008

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

4. 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 Hong Kong Financial Reporting Standards 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 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 sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss 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.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the period of the relevant leases.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes 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 of their estimated residual value, using the straight line method.

Construction in progress includes 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 recognised impairment loss. 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.

Prepaid lease payments

Prepaid lease payments, which represent up-front payments to acquire leasehold land interest, are stated at cost and released to the consolidated income statement over the period of the lease on a straight line basis.

Impairment losses on assets

At each balance sheet date, the Group reviews the carrying amounts of its 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 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 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.

Taxation

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

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 dates.

Deferred tax is recognised on differences between the carrying amounts 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 the initial recognition 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 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.

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 the presentation currency of the Group (i.e. United States dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit scheme contributions

Payments to defined contribution retirement benefit scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Shares granted by the controlling shareholder to employees of the Group

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).

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) 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 are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables and the debt instrument, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

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 receivable the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised, 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern and liquidity

The Group has consolidated net current liabilities of US$7,323,476 at 31 December 2007 and loss of US$29,778,061 for the year then ended indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors are taking active steps to improve the liquidity position of the Group and details are set out in note 2. The consolidated financial statements have been prepared on a going concern basis. Should the placement of new shares and other measures fail to improve the liquidity position of the Group and the Group is unable to continue in business as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their realisation amount and to provide for further liabilities which might arise.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 23, net of cash and cash equivalents disclosed in note 21 and equity attributable to equity holders of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associates with each class of capital. Based on recommendation of directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the repayment of existing debt.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2007	2006
	US$	US$
Financial assets		
Loans and receivables (including cash and cash equivalents)	98,642,622	200,748,628
Available-for-sale financial assets	22,008	22,008
Financial liabilities		
Amortised cost	147,737,903	216,176,737

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk and interest rate risk), credit risk and liquidity risk. 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.

Market risk

(i) *Currency risk*

The Group mainly operates in the PRC. Its foreign currency sales and purchases expose the Group to foreign currency risk, particularly in US dollar.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are considered as significant by the management, at the reporting date are as follows:

	Liabilities		Assets	
	2007	2006	2007	2006
	US$	*US$*	*US$*	*US$*
US dollar	52,293,356	98,105,881	72,094,629	147,124,144

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the fluctuation in Renminbi against US dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, bank balances and cash, trade and other payables and bank borrowings where the denomination of these balances are in currencies other than the functional currency of the relevant entities. If Renminbi against US dollar had been increase/decrease by 5%, the Group's loss for the year would increase/decrease by approximately US$990,063 (2006: profit would decrease/increase US$2,450,913).

(ii) *Interest rate risk*

The Group's exposure to cash flow interest rate risk is mainly attributable to the bank balances and variable-rate bank borrowings (see note 23 for details of these borrowings) due to the fluctuation of the prevailing market interest rates. It is the Group's policy to keep its borrowings at variable-rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The Directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly sensitive to the fluctuation of rate of the People's Bank of China arising from the Group's RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and borrowings. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2007 would increase/decrease by US$399,764 (2006: profit would decrease/increase by US$845,649. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

Credit risk

As at 31 December 2007, the Group maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which is approximately 61% (2006: 48%) of the total trade receivables as at 31 December 2007.

The Group also has concentration of credit risk as 38% (2006: 38%) and 69% (2006: 59%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The directors of the Company are taking active steps to improve the liquidity position of the Group. These steps include (i) negotiating with major customers to accelerate the pace of launching new products; (ii) implementing stringent cost control measures; (iii) requesting suppliers to extend their payment terms to strengthen its cash flow position.

The Group relies on bank borrowings as a significant source of liquidity. Details of which are set out in note 23.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principle cash flows.

Liquidity and interest risk tables

2007

	Weighted average effective interest rate	**Within 30 days**	**31 to 90 days**	**91 to 180 days**	**181 to 365 days**	**More than 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31/12/2007**
	%	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Non-derivative financial liabilities								
Trade and other payables	N/A	28,433,970	39,014,365	11,193,049	—	—	78,641,384	78,641,384
Bank borrowings — variable rate	6.26	8,213,120	31,947,130	11,055,336	22,205,992	—	73,421,578	69,096,519
		36,647,090	70,961,495	22,248,385	22,205,992	—	152,062,962	147,737,903

2006

	Weighted average effective interest rate	Within 30 days	31 to 90 days	91 to 180 days	181 to 365 days	More than 1 year	Total undiscounted cash flows	Carrying amount at 31/12/2006
	%	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Non-derivative financial liabilities								
Trade and other payables	N/A	19,937,260	49,254,370	28,479,859	—	—	97,671,489	97,671,489
Bank borrowings — variable rate	4.76	31,094,735	41,548,085	30,440,462	17,038,073	4,024,742	124,146,097	118,505,248
		51,031,995	90,802,455	58,920,321	17,038,073	4,024,742	221,817,586	216,176,737

7c. **Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

8. 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

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

Geographical segments

The Group's operations are located in the PRC and Taiwan.

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

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

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

9. OTHER INCOME

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

10. FINANCE COSTS

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

11. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

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

12. (LOSS) PROFIT FOR THE YEAR

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

13. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

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

2007

	Lin Cheng Hung	Hsu Chung	Huang Lien Tsung	Lee Cheng Few	Chou Tsan Hsiung	Nguyen Duc Van	Wang Wei-Lin	Chow Chi Tong	Liao Kuang Sheng	Wong Chau Chi, Charles	Shao Yi	Lin Yi Ting	Yang Yi	Li Jun	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Fees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other emoluments															
Salaries and other benefits	140,156	173,916	111,209	1,935	23,226	23,226	23,226	23,226	23,226	63,742	61,452	88,762	21,290	13,548	792,140
Bonus	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payments	—	135,922	—	—	—	—	—	—	—	190,484	190,484	—	—	—	516,890
Total emoluments	140,156	309,838	111,209	1,935	23,226	23,226	23,226	23,226	23,226	254,226	251,936	88,762	21,290	13,548	1,309,030

2006

	Lin Cheng Hung	Hsu Chung	Huang Lien Tsung	Lee Cheng Few	Chou Tsan Hsiung	Nguyen Duc Van	Wang Wei-Lin	Lee Ka Leung, Daniel	Tung Tat Chiu, Michael	Chow Chi Tong	Liao Kuang Sheng	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*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 payments	—	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

The five highest paid individuals in the Group were all (2006: three) directors of the Company and details of their emoluments are included above. The emoluments of the remaining individuals are as follows:

	2007	2006
	US$	*US$*
Salaries and other emoluments	—	208,382
Bonus	—	95,000
Retirement benefit scheme contributions	—	—
Share-based payments	—	144,516
	—	447,898

Their emoluments were within the following bands:

	2007	2006
	Number of employees	*Number of employees*
HK$1,000,001 to HK$1,500,000	—	1
HK$2,000,001 to HK$2,500,000	—	1
	—	2

During both years, 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.

14. DIVIDENDS

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

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

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

15. BASIC (LOSS) EARNINGS PER SHARE

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

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

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

16. 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 2006	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
Exchange adjustments	1,253,541	5,394,323	76,588	362,082	198,909	7,285,443
Additions	852,287	12,180,371	142,709	314,910	10,053,548	23,543,825
Transfer	471,894	506,241	—	6,815	(984,950)	—
Disposals	—	—	(185,257)	—	—	(185,257)
At 31 December 2007	20,742,030	96,246,720	1,143,825	5,936,497	12,149,752	136,218,824
DEPRECIATION AND IMPAIRMENT						
At 1 January 2006	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
Exchange adjustments	250,441	1,238,373	26,863	112,015	—	1,627,692
Provided for the year	1,090,835	8,415,635	204,883	822,775	—	10,534,128
Impairment loss recognised in the consolidated income statements	—	5,366,859	—	—	—	5,366,859
Eliminated on disposals	—	—	(165,708)	—	—	(165,708)
At 31 December 2007	4,970,263	35,086,148	455,297	2,559,595	—	43,071,303
CARRYING VALUES						
At 31 December 2007	15,771,767	61,160,572	688,528	3,376,902	12,149,752	93,147,521
At 31 December 2006	14,535,321	58,100,504	720,526	3,627,885	2,882,245	79,866,481

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$12,100,264 (2006: US$16,899,538) to secure general banking facilities granted to the Group.

During the year, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to operating loss. Accordingly, an impairment loss of US$5,366,859 (2006: Nil) has been recognised in respect of machinery and equipment, which are used in the Group's rigid printed circuit board assembly segment. The recoverable amounts of the relevant assets have been determined on the basis of their realisation amount. The discount rate in measuring the amounts of value in use was 7.3% (2006: Nil) in relation to machinery and equipment.

17. PREPAID LEASE PAYMENTS

	2007	**2006**
	US$	*US$*
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	2,254,440	2,114,339
Short lease	1,608,576	1,920,934
	3,863,016	4,035,273
Analysed for reporting purposes as:		
Current asset	459,233	428,794
Non-current asset	3,403,783	3,606,479
	3,863,016	4,035,273

The Group has pledged prepaid lease payments having a net book value of US$701,778 (2006: US$222,134) to secure general banking facilities granted to the Group.

18. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investment represents the club debenture which is held on a long-term basis.

19. INVENTORIES

	2007	2006
	US$	*US$*
Raw materials	18,145,532	20,891,534
Work-in-progress	5,060,438	8,559,539
Finished goods	16,763,785	19,154,528
	39,969,755	48,605,601

As at 31 December 2007, inventories of approximately US$1,027,000 (2006: Nil) are carried at net realisable value.

20. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

Ageing of trade receivables which are past due but not impaired

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

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

Movement in the impairment loss on trade receivables

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

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

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

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

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

21. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank balances carry interest at market rates which range from 4.36% to 5.3% (2006: 5.02% to 6.12%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

22. TRADE AND OTHER PAYABLES

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

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

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

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

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

23. BANK BORROWINGS

	2007	2006
	US$	*US$*
Bank borrowings	69,096,519	118,505,248
Secured (Note 31)	60,607,418	75,036,611
Unsecured	8,489,101	43,468,637
	69,096,519	118,505,248

The maturity profile of the above bank borrowings is as follows:

	2007	2006
On demand or within one year	69,096,519	114,663,379
More than one year, but not exceeding two years	—	3,841,869
	69,096,519	118,505,248

The carrying amounts of the Group's foreign currency denominated bank borrowings at the reporting date are as follows:

	2007	2006
	US$	*US$*
US dollars	9,150,000	39,900,000

Bank borrowings were variable-rate borrowings which carried interest ranging from 4.65% to 7.29% per annum (2006: 3.13% to 6.9%) per annum and were repayable by instalments over the borrowings period.

24. SHARE CAPITAL

	Number of shares	Nominal value
		HK$
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 2007	5,000,000,000	500,000,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 2007	1,250,000,000	125,000,000
Shown in consolidated financial statements as		US$16,129,032

25. SHARE OPTION SCHEME

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

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

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

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue on 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 2007, the total number of shares available for issue in respect thereof is 125,000,000 shares, representing 10% of the total issued shares.

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.

Details of the share options granted and outstanding under the Share Option Scheme during the year were as follows:

					Number of share options				
Category	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1/1/2007	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31/12/2007
		HK$							
Directors									
Wong Chau Chi	24 January 2007	0.475	24 January 2007 to 23 July 2007	24 July 2007 to 23 January 2010	—	12,500,000	—	—	12,500,000
Shao Yi	24 January 2007	0.475	24 January 2007 to 23 July 2007	24 July 2007 to 23 January 2010	—	12,500,000	—	—	12,500,000
Hsu Chung	27 December 2007	0.52	27 December 2007 to 7 January 2008	8 January 2008 to 6 January 2011	—	12,500,000	—	—	12,500,000
Total directors					—	37,500,000	—	—	37,500,000
Consultants	24 January 2007	0.475	24 January 2007 to 23 July 2007	24 July 2007 to 23 January 2010	—	37,500,000	—	—	37,500,000
Employees	10 August 2007	0.49	10 August 2007 to 9 August 2008	10 August 2008 to 9 August 2011	—	2,333,333	—	—	2,333,333
			10 August 2007 to 9 August 2009	10 August 2009 to 9 August 2011	—	2,333,333	—	—	2,333,333
			10 August 2007 to 9 August 2010	10 August 2010 to 9 August 2011	—	2,333,334	—	—	2,333,334
					—	7,000,000	—	—	7,000,000
Employee	23 August 2007	0.47	23 August 2007 to 22 August 2008	23 August 2008 to 22 August 2011	—	3,333,333	—	—	3,333,333
			23 August 2008 to 22 August 2009	23 August 2009 to 22 August 2011	—	3,333,333	—	—	3,333,333
			23 August 2009 to 22 August 2010	23 August 2010 to 22 August 2011	—	3,333,334	—	—	3,333,334
					—	10,000,000	—	—	10,000,000
Total					—	92,000,000	—	—	92,000,000

The Black-Scholes option pricing model has been used to estimate the fair value of the option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

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

	2007
Grant date share price	HK$0.28-HK$0.49
Exercise price	HK$0.47-HK$0.52
Expected volatility (Note)	50.73%-64.04%
Expected life	2.5-3.5 years
Risk-free rate of interest	3.67%-4%
Expected dividend yield	7.29%-8.62%

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

The Group has recognised total expenses of approximately US$1,176,000 (2006: Nil) related to equity-settled share-based payment transactions during the year.

26. 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.

27. **MERGER RESERVE**

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.

28. STATUTORY RESERVE

Pursuant to the relevant regulations applicable to foreign investment enterprises established in the People's Republic of China (the "PRC"), certain PRC subsidiaries of the Company are 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.

29. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases was US$301,771 (2006: US$351,984).

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

	2007	2006
	US$	*US$*
Within one year	243,881	245,895
In the second to fifth year inclusive	158,661	207,334
	402,542	453,229

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$13,690 (2006: US$7,684). The properties held for rental purpose have committed tenants for a term ranged from one to five years.

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

	2007	2006
	US$	*US$*
Within one year	13,690	7,684
In the second to third year inclusive	13,690	10,245
	27,380	17,929

30. CAPITAL COMMITMENTS

	2007	2006
	US$	*US$*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	12,911,502	12,696,171

31. 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:

	2007	2006
	US$	*US$*
Property, plant and equipment	12,100,264	16,899,538
Prepaid lease payments	701,778	222,134
Trade receivables	22,185,743	49,529,551
Bank deposits	8,597,630	13,517,139

32. 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 consolidated income statement of US$1,237,301 (2006: US$1,247,980) represents contributions payable to this scheme by the Group in respect of the current accounting period. As at 31 December 2007, contributions of US$314,756 (2006: US$386,052) due in respect of the reporting period had not been paid over to the scheme.

33. RELATED PARTY DISCLOSURES

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

Name of related parties	Nature of transactions	2007	2006
		US$	*US$*
Mr. Lin Cheng Hung, a director	Rental paid	—	7,684
Mr. Hsu Chung, a director	Rental paid	23,738	20,554
Chi Capital Partners Limited	Rental paid	9,806	—
	Consultancy fee paid	10,323	—
Vertex Precision Electronics Inc.	Purchase of machineries and equipments	1,773,000	—

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

Vertex Precision Electronics Inc. is a substantial shareholder of the Company.

Compensation of key management personnel

The remuneration of directors of the Company during the year were as follows:

	2007	2006
	US$	*US$*
Short-term benefits	782,119	754,302
Post-employment benefits	10,021	—
Share-based payments	516,890	184,259
	1,309,030	938,561

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

Share options are granted to several members of key management during the year.

34. SUMMARISED BALANCE SHEET OF THE COMPANY

The summarised balance sheet of the Company as at 31 December 2007 are as follows:

	Note	2007	2006
		US$	*US$*
Total assets		71,570,405	71,900,609
Total liabilities		(710,425)	(185,545)
		70,859,980	71,715,064
Capital and reserves			
Share capital		16,129,032	16,129,032
Share premium and reserves	(a)	54,730,948	55,586,032
		70,859,980	71,715,064

Note:

(a) **Share premium and reserves**

	Share premium US$	Contributed surplus US$	Capital reserve US$	Share option reserve US$	Accumulated profits US$	Total US$
At 1 January 2006	15,631,536	32,110,967	—	—	93,596	47,836,099
Recognition of equity-settled share-based payments	—	—	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
Recognition of equity-settled share-based payments	—	—	—	1,175,966	—	1,175,966
Dividend paid	—	—	—	—	(4,612,903)	(4,612,903)
Profit for the year	—	—	—	—	2,581,853	2,581,853
At 31 December 2007	15,631,536	32,110,967	1,083,871	1,175,966	4,728,608	54,730,948

Contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's share issued in exchange thereof pursuant to a group reorganisation on 5 July 2005.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries 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		Principal activities
				Directly 2007 & 2006	Indirectly 2007 & 2006	
Forever Jade Holding Limited	Samoa	Ordinary	US$7,400,000	100%	—	Inactive
*Forever Jade Electronics (Suzhou)	The PRC	Capital contribution	US$7,400,000	—	100%	Manufacturing and trading of rigid printed circuit boards assembly

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		Principal activities
				Directly 2007 & 2006	Indirectly 2007 & 2006	
Global Technology International Ltd.	British Virgin Islands/Taiwan	Ordinary	US$48,000,000	100%	—	Investment holding and trading of printed circuit boards
Global Flex Technology (Korea) Inc.	Korea	Ordinary	WON50,000,000	—	100%	Trading of printed circuit boards
*Global Flex (Suzhou)	The PRC	Capital contribution	US$48,000,000	—	100%	Manufacturing and trading of printed circuit boards
Value Manage International Limited	Hong Kong	Ordinary	HK$2,000,000	—	100%	Trading of printed circuit boards
*Global Flex (Suzhou) Plant II	The PRC	Capital contribution	US$29,600,000	—	100%	Inactive
Global Technology International Ltd. — Taiwan Branch	Taiwan	Capital contribution	NT$1,000,000	—	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."

3. **Statement of Indebtedness**

Borrowings

As at the close of business on 31 July 2008, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding short-term bank borrowings (with maturity within one year) of approximately US$54,582,000 comprising secured borrowings of approximately US$53,342,000 and unsecured borrowings of approximately US$1,240,000.

Pledge of assets

As at the close of business on 31 July 2008, the secured borrowings are secured by certain assets of the Group as follow:

(i) property, plant and equipment;

(ii) prepaid lease payments;

(iii) trade receivables; and

(iv) bank deposits

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the close of business on 31 July 2008, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. **Working Capital**

Provided that (i) agreement can be reached with the Group's bankers to reschedule the short-term borrowings of the Group, and (ii) agreement can be reached with the Group's suppliers to reschedule the payments of the Group's capital expenditures, the Directors confirm that, after taking into account its internally generated funds, its currently available facilities and financial resources and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its requirements in the next 12 months commencing from the date of the Prospectus. The short-term bank borrowings of the Group as at 31 July 2008 amounted to approximately US$54,582,000.

If the Company cannot reschedule the payments of the aforesaid Group's bank borrowings and capital expenditures, the Company will consider other fund raising activities. The Directors are in the process of discussing with the Group's bankers with a view to obtaining new banking facilities, which will provide the Company with more cash resources for the Group's operating and investing activities. In addition, the Company may consider further equity financing activities depending on market sentiment and the financial needs of the Group. The Directors believe that the capital reorganization proposed and announced by the Company on 26 August 2008 will give greater flexibility to the Company to raise funds through the issue of new Shares in the future. As at the Latest Practicable Date, save for the Open Offer, the Company has not come to any agreement with any party relating to any equity or financing arrangements.

As discussed in the paragraph headed "Financial and trading prospects of the Group" above, the Company has been implementing cost saving and control measures, which will result in reduction in costs and operating cash outflows. Further, the aforesaid capital expenditures are mainly related to the construction of new plants and machineries for the expansion of production of the Company. The Directors are in the opinion that such expansion plan will be cautiously implemented within the financial capability of the Group, and it is not expected that the Group's existing operation will be adversely affected by the progress of the expansion plan.

Taking into account the above, the Directors are optimistic to the sufficiency of working capital to meet the Group's requirements in the next 12 months.

5. Material Adverse Change

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which latest audited financial statements of the Group were made up.

For illustrative purpose only, the unaudited pro-forma financial information prepared in accordance with Rule 4.29 of the Listing Rules, is set out here to provide information on how the Open Offer might have affected the unaudited pro forma net tangible assets of the Group as at 31 December 2007 as if the Open Offer had occurred on 31 December 2007.

The unaudited pro-forma financial information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group following the Open Offer.

The unaudited pro-forma financial information of the Group is based on the audited consolidated net tangible assets of the Group as 31 December 2007, extracted from the published annual report of the Group as set out in Appendix I to the Prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group as at 31 December 2007 US$'000	Estimated net proceeds US$'000 *(Note 1)*	Fair value adjustment of Warrants US$'000 *(Note 2)*	Unaudited pro forma consolidated net tangible assets of the Group US$'000	Audited consolidated net tangible assets of the Group per Share (before Open Offer) US$ *(Note 3)*	Audited consolidated net tangible assets of the Group per Share (before Open Offer) HK$ *(Note 4)*	Unaudited pro forma consolidated net tangible assets per Share after Open Offer US$ *(Note 5)*	Unaudited pro forma consolidated net tangible assets per Share after Open Offer HK$ *(Note 4)*
Issue of Offer Shares but before issue of Warrant Shares	91,959	7,790	(901)	98,848	0.0736	0.5704	0.0524	0.4061
Issue of Offer Shares and Warrant Shares	91,959	10,047	(901)	101,105	0.0736	0.5704	0.0494	0.3829

Notes:

1. The estimated net proceeds from the issue of Offer Shares but before issue of Warrants Shares are based on the Offer Price of HK$0.10 per Offer Share, after deduction of the underwriting fees and other estimated expenses amounting to HK$3,226,000, equivalent to approximately US$416,000, directly attributable to the Open Offer.

   The estimated net proceeds from issue of Offer Shares and Warrant Shares are based on the estimated net proceeds from issue of Offer Shares but before issue of Warrant Shares and the proceeds from issue of 159,000,000 Warrant Shares at exercise price of HK$0.11 per Warrant Share.

2. The fair value of Warrants are deducted from the estimated net proceeds because the Warrants would be treated as non-equity derivative instruments (being financial liabilities of the Group and reduce the consolidated net tangible assets) for accounting purposes. The fair value of the Warrants are estimated based on the underlying assumption that the Warrants were issued on 26 August 2008, the date the proposed issue of Offer Shares and Warrants was announced by the Company.

3. The number of shares used for the calculation of audited consolidated net tangible assets per Share is 1,250,000,000.

4. Translated at a rate of US$1 to HK$7.75.

5. The unaudited pro forma consolidated net tangible assets per Share for issue of Offer Shares but before issue of Warrant Shares is arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 1,886,000,000 Shares were in issue as at 31 December 2007 (including existing 1,250,000,000 Shares in issue as at 31 December 2007 and 636,000,000 Offer Shares to be issued pursuant to the Open Offer).

   The unaudited pro forma consolidated net tangible assets per Share for issue of Offer Shares and Warrant Shares is arrived at after the adjustments referred to the preceding paragraph and on the basis at a total of 2,045,000,000 Shares were in issue as at 31 December 2007 (including existing 1,250,000,000 Shares in issue as at 31 December 2007, and 636,000,000 Offer Shares and 159,000,000 Warrant Shares to be issued pursuant to the Open Offer).

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

TO THE DIRECTORS OF GLOBAL FLEX HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Global Flex Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the open offer of 636,000,000 offer shares of HK$0.10 each (the "Offer Shares") at HK$0.10 per Offer Shares payable in full in cash upon acceptance on the basis of two Offer Shares for every five shares held, with warrants in proportion of one warrant for every four Offer Shares taken up, might have affected the financial information of the Group presented, for inclusion in Appendix II to the Prospectus dated 16 September 2008 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29 (7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 September 2008

The Warrants will be issued subject to and with the benefit of the instrument by way of deed poll (the "**Instrument**") to be executed by the Company. The Warrants will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

The Warrants will be issued as part of the Open Offer. They will not be listed on the Stock Exchange or on any other stock exchanges.

The principal terms and conditions of the Warrants (the "**Conditions**") will be set out in the certificates for the Warrants (the "**Warrant Certificates**") and will include provisions summarised below. Holders of the Warrants (the "**Warrantholders**") will be entitled to the benefit of, and will be bound by, and be deemed to have notice of the Conditions. They will also be entitled to the benefit of, and will be bound by, and be deemed to have notice of the provisions of the Instrument, copies of which will be available at the principal place of business for the time being of the Company in Hong Kong.

1. EXERCISE OF SUBSCRIPTION RIGHTS

(a) In this Appendix, unless otherwise stipulated, the following terms shall have the following meanings:

"Exercise Moneys"	the amount in cash payable in respect of the Shares for which the Warrantholder of such Warrant is entitled to subscribe upon the exercise of the Subscription Rights represented thereby;
"Exercise Period"	means the period of twenty-four (24) months from the date of issue of the Warrants;
"Exercise Price"	means the sum payable in respect of each Share upon exercise of the Subscription Rights, initially being HK$0.11 each (subject to adjustment);
"Shares"	the ordinary shares of HK$0.10 each in the authorised share capital of the Company existing on the date of issue of the Warrants and all other (if any) stock or shares from time to time and for the time being ranking *pari passu* therewith and all other (if any) shares or stock in the Equity Share Capital (as defined in the Instrument) resulting from any subdivision, consolidation, reclassification or reduction of capital of Shares;

"Subscription Date"	in relation to any Warrant, the close of business on any business day falling within the Exercise Period on which any of the Subscription Rights represented by such Warrant are duly exercised by delivery of the relative Warrant certificate to the Company with the Subscription Form (as defined in the Instrument) duly completed, together with a remittance for the Exercise Moneys; and
"Subscription Rights"	in respect of one Warrant, means the subscription right attached to the Warrant to subscribe for one fully paid new Share at the Exercise Price, initially being at HK$0.11 each (subject to adjustment).

(b) The registered holder for the time being of each Warrant will have the right, at any time during the Exercise Period on any day (other than a Saturday) on which banks in Hong Kong are open for clearing and settlement business, to subscribe for one fully paid Share in cash at HK$0.11 per Share (subject to adjustments). After 4:00 p.m. on the last day of the Exercise Period, any Subscription Rights which have not been exercised will lapse and the Warrants and Warrant certificates will cease to be valid for any purpose.

(c) Each Warrant certificate will contain a Subscription Form. In order to exercise in whole or in part the Subscription Rights represented by the Warrant certificate, the Warrantholders must complete and sign the Subscription Form (which, once signed and completed, shall be irrevocable) and deliver the Warrant certificate (and, if the Subscription Form used shall not be the form endorsed thereon, the separate Subscription Form) duly completed to the Registrar, together with a remittance for the Exercise Moneys (or, in the case of a partial exercise, the relevant portion of the Exercise Moneys). In each case, compliance must also be made by the exercising Warrantholder with any exchange control, fiscal or other laws or regulations for the time being applicable.

(d) The number of Shares to be allotted on exercise of the Subscription Rights shall be the number of the Warrants subject to exercise as specified in the relevant Subscription Form and in respect of which the Exercise Moneys thereof have been duly remitted as aforesaid.

(e) The Company has undertaken in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted not later than 10 business days after the relevant Subscription Date and will rank pari passu with the fully paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to vote at general meetings of the Company and to participate in all dividends or other distributions declared, paid or made on or after the relevant Subscription Date unless adjustment therefor has been made as provided in the Instrument, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.

(f) As soon as reasonably practicable after the relevant allotment of Shares (and not later than 10 business days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder(s) to whom such allotment has been made:

(i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s); and

(ii) (if applicable) a balance Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the Warrant certificate lodged but remaining unexercised.

(g) The certificate(s) for Shares arising on the exercise of the Subscription Rights and the balance Warrant certificate (if any) will be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s) or (in the case of a joint holding) to that one of them whose name stands first in the register of Warrantholders of the Company (which shall be deemed to be a sufficient despatch to all of them). If the Company agrees, such certificates may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder(s).

2. ADJUSTMENT OF EXERCISE PRICE

The Instrument contains detailed provisions relating to the adjustment of the Exercise Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

(a) The Exercise Price shall (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases:

(i) if and whenever the nominal amount of the Shares is altered by reason of any consolidation or subdivision;

(ii) if and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including those in share premium account or contributed surplus account);

(iii) if and whenever the Company shall make any Capital Distribution (as defined in the Instrument), whether on a reduction of capital or otherwise, to holders of its Shares (in their capacity as such);

(iv) if and whenever the Company shall grant to the holders of its Shares (in their capacity as such) rights to acquire for cash assets of the Company or any of its Subsidiaries (as defined in the Instrument);

(v) if and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights or shall grant to holders of Shares any options or warrants to subscribe for new Shares, in each case at a price which is less than 90 per cent. of the market price (calculation as provided in the Instrument);

(vi) if and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) initially receivable per Share is less than 90 per cent. of the market price (calculation as provided in the Instrument), or the terms of any such issue being altered so that the said total Effective Consideration is less than 90 per cent. of such market price;

(vii) if and whenever the Company shall issue wholly for cash of any Shares (other than Shares issued pursuant to a Share Option Scheme (as defined in the Instrument)) at a price per Share which is less than 90 per cent. of the market price (calculation as provided in the Instrument); and

(viii) if and whenever the Company shall purchase any Shares (or securities convertible into, or any rights to acquire, Shares) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Exercise Price.

(b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above will be made in respect of:

(i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;

(ii) an issue of Shares or other securities of the Company or any Subsidiary (as defined in the Instrument) wholly or partly convertible into, or carrying rights to acquire, Shares to Directors or employees of the Company or any of its Subsidiaries or associates or other eligible persons pursuant to a Share Option Scheme;

(iii) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or businesses;

(iv) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or carrying rights to acquire Shares); or

(v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalized and the market value (calculation as provided in the Instrument) of such Shares is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.

(c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Exercise Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Exercise Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the said provisions, the Company may appoint the auditors of the Company or an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the auditors of the Company or such approved merchant bank (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by the auditors of the Company or such approved merchant bank (as the case may be) to be in its opinion appropriate.

(d) Any adjustment to the Exercise Price shall be made to the nearest one-tenth of a cent so that any amount under half of one-tenth of a cent shall be rounded down and any amount of half of one-tenth of a cent or more shall be rounded up. No adjustment shall be made to the Exercise Price in any case in which the amount by which the same would be reduced would be less than one-tenth of a cent and any adjustment that would otherwise be required then to be made shall not be carried forward. No adjustment may be made (except on a consolidation of Shares into shares of a larger nominal amount) which would increase the Exercise Price.

(e) Every adjustment to the Exercise Price will be certified to be fair and appropriate by the auditors of the Company or an approved merchant bank and notice of each adjustment (giving the relevant particulars) will be given to the Warrantholders. In giving any certificate or making any adjustment hereunder, the auditors of the Company or the approved merchant bank (as the case may be) shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, the decision shall be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively. Any such certificate of the auditors of the Company or the approved merchant bank (as the case may be) will be available for inspection at the principal place of business of the Company for so long as any of the Subscription Rights remains exercisable.

3. REGISTERED WARRANTS

The Warrants will be issued in registered form. The Company will be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly will not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

(a) The Warrants will be transferrable, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Warrants may be assigned or transferred to any third party (whether he is a connected person (as that term is defined in the Listing Rules) of the Company or not), subject to approval by the Board of Directors (or duly authorized committee thereof) of the Company (which approval shall not be unreasonably withheld or delayed) and compliance of the conditions hereunder and further subject to the conditions, (if required) approvals.

(b) The Company will maintain a register of Warrantholders accordingly. The register may be closed from time to time. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the register is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights to his Warrants (but not otherwise), be considered as made immediately after the reopening of the register. Transfers of Warrants must be executed by both the transferor and the transferee. The provisions of the Company's Articles of Associations relating to, inter alia, the registration, transmission and transfer of Shares and the register of members shall, mutatis mutandis, apply to the registration, transmission and transfer of the Warrants and the register of Warrantholders.

(c) Persons who hold Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of Warrants prior to the transfer or exercise of Subscription Rights attached to the Warrants, in particular during the period commencing 10 business days prior to and including the last day of the Exercise Period.

(d) In the case of transfer or disposal of any Warrant to any connected person of the Company, the Company is entitled to inform the Stock Exchange of such transfer and the transferor and the transferee shall provide such information and documents as required by the Stock Exchange or other regulatory authorities promptly.

5. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries may at any time, subject to the Hong Kong Code on Share Repurchases and all other applicable laws, rules and regulations, purchase the Warrants:

(a) in the open market or by tender (available to all Warrantholders alike) at any price; or

(b) by private treaty at price agreed by the Company and the relevant Warrantholder(s). All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

(a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of the Warrantholders, including the modification by a Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or the Conditions. A resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.

(b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the Conditions and/or the Instrument) and the sanction of a Special Resolution of the Warrantholders shall be necessary to effect such alteration or abrogation.

7. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the Registrar on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding the maximum fee as may from time to time be permitted by the Stock Exchange as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

8. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

9. FURTHER ISSUES

The Company shall be at liberty to issue further subscription warrants.

10. NOTICES

(a) The Instrument contains provisions relating to notices to be given to Warrantholders.

(b) Every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices can be sent and if any Warrantholder shall fail to do so, notice may be given to such Warrantholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three days at the principal place of business for the time being of the Company.

(c) A notice may be given by delivery, prepaid letter (airmail in the case of an overseas address), facsimile or by way of announcement in accordance with the requirements of the Stock Exchange.

(d) All notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the register of Warrantholders and notice so given shall be sufficient notice to all the holders of such Warrants.

11. RIGHTS OF WARRANTHOLDERS ON WINDING UP

(a) The Instrument provides that if an effective resolution is passed during the Exercise Period for the voluntary winding up of the Company, then:

(i) if such winding up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders; and

(ii) in the event a notice is given by the Company to its Shareholders (and the Warrantholders) to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the relevant Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not later than 5 business days prior to the proposed shareholders' meeting), to exercise the Subscription Rights represented by such Warrant Certificate(s) and the Company shall cause to be allotted and issued, as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, such number of Shares which fall to be issued pursuant to the exercise of the relevant Subscription Rights.

(b) In all other circumstances in which the Company may be wound up, the Instrument provides that all Subscription Rights which have not been exercised at the commencement of the winding up will lapse and each Warrant Certificate will cease to be valid for any purpose.

12. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory other than Hong Kong where the offer or issuance of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration, filing or any other legal or regulatory requirements in such territory, be unlawful, then the Company shall as soon as practicable after exercise by such Warrantholder of any Subscription Rights either:

(A) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or

(B) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company, in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relative Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom all brokerages, commissions, stamp duties, withholding tax and similar charges and taxes, if any, payable in respect of such sale only, in the case of an allotment and sale as aforesaid, and such payment) by posting the relevant remittance to him at his risk. The Company is hereby deemed to be authorised to effect any of the aforesaid transactions pursuant to this provision and for this purpose the Company may appoint one or more persons to execute such transfers, renunciations or other documents on behalf of the relevant Warrantholders as may be required to be executed and generally may make all such arrangements as may appear to the Directors to be necessary or appropriate in connection therewith.

13. GOVERNING LAW

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong. The Company irrevocably submits to the non-exclusive jurisdiction of the courts of Hong Kong in respect of the Instrument and the Warrants and all matters and disputes arising in connection with them.

RESPONSIBILITY STATEMENT

The Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

SHARE CAPITAL AND SHARE OPTION

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Open Offer and full exercise of subscription rights attaching to the warrants are and expected to be as follows:

		HK$
Authorised:		
5,000,000,000	Shares as at the Latest Practicable Date	500,000,000
Issued and fully paid:		
1,590,000,000	Shares in issue as at the Latest Practicable Date	159,000,000
636,000,000	Offer Shares to be issued	63,600,000
159,000,000	Warrant Shares falling to be allotted and issued upon exercise of subscription rights attaching to the Warrants in full	15,900,000
2,385,000,000		238,500,000

All the Shares in issue and to be issued rank and will rank pari passu in all respects with each other including as regards dividends, voting and return of capital. The Offer Shares and the Warrant Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had outstanding 92,000,000 Share Options entitling the holders thereof to subscribe for an aggregate of 92,000,000 Shares at various exercise prices of HK$0.47 per Share, HK$0.475 per Share, HK$0.49 per Share and HK$0.52 per Share (all subject to adjustments). The particulars of the Share Options granted and outstanding as at the Latest Practicable Date are set out as follows:

Name of grantee	Number of Share Options outstanding as at the Latest Practicable Date	Exercise price per Share	Exercise period	Address of the grantee
		HK$		
Director				
Wong Chau Chi	12,500,000	0.475	24 July 2007 to 23 January 2010	Apt 4B, 27 Repulse Bay Road, Hong Kong
Hsu Chung	12,500,000	0.52	27 December 2007 to 6 January 2011	7132 East Mockingbird Way, Anaheim, CA92807, U.S.A.
Employee				
Cheung Keung	1,666,666	0.49	10 August 2008 to 9 August 2011	Flat 18G, Block 3, Belvedere Garden Phase 2, Tsuen Wan, N.T., Hong Kong
	1,666,666	0.49	10 August 2009 to 9 August 2011	
	1,666,667	0.49	10 August 2010 to 9 August 2011	
Lin Wen Han	666,667	0.49	10 August 2008 to 9 August 2011	Flat 4F, No. 9-3, Lane 18, Alley 418, Jingxin Street, Zhonghe City, Taipei, Taiwan
	666,667	0.49	10 August 2009 to 9 August 2011	
	666,667	0.49	10 August 2010 to 9 August 2011	
Lu Cheng Ming	3,333,333	0.47	23 August 2008 to 22 August 2011	13-606, Hellen Garden, Houhai Road, Shenzhen, China
	3,333,333	0.47	23 August 2009 to 22 August 2011	
	3,333,334	0.47	23 August 2010 to 22 August 2011	

Name of grantee	Number of Share Options outstanding as at the Latest Practicable Date	Exercise price per Share *HK$*	Exercise period	Address of the grantee
Others				
Shao Yi	12,500,000	0.475	24 July 2007 to 23 January 2010	Apt 23C, Tower 8 Phase III Bel-Air on the Peak, Pokfulam, Hong Kong
Yang Jui-Lan	12,500,000	0.475	24 July 2007 to 23 January 2010	4/F, No. 8, 147 Lane, Zhong Zhen Qu Xia Men Road, Taipei
Hsu Hsiu Chu	12,500,000	0.475	24 July 2007 to 23 January 2010	1F, No. 2, 66 Lane, Si Wei Road, Taipei, 106, Taiwan
Zhi Yi Investments Company Limited	12,500,000	0.475	24 July 2007 to 23 January 2010	27F, 216 Dun Hua South Road, Section 2, Taipei, R.O.C.
Total	92,000,000			

Save as disclosed above, the Company has no other options, warrants, derivatives, convertible notes or other securities of the Company convertible into or giving rights to subscribe for Shares as at the Latest Practicable Date.

Save as disclosed in the Prospectus, no share or loan capital of the Company has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

Save as disclosed in the Prospectus, the Company has no options, warrants and conversion rights convertible into Shares and no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

DISCLOSURE OF INTERESTS

Directors' interests

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of existing issued share capital of the Company
Lin Cheng Hung	Beneficial owner	9,431,452	0.59%
Wong Chau Chi	Controlled corporation	121,605,000[1]	7.65%
	Beneficial owner	12,500,000[2]	0.79%
Hsu Chung	Beneficial owner	23,152,743	1.46%
Huang Lien Tsung	Beneficial owner	2,626,292	0.17%
Nguyen Duc Van	Beneficial owner	1,173,638	0.07%

Interests in Share Options

Name of Director	Nature of interest	Number of Share Options	Date of grant	Exercise period	Exercise price per Share *HK$*
Wong Chau Chi	Beneficial owner	12,500,000	24 January 2007	24 July 2007 to 23 January 2010	0.475
Hsu Chung	Beneficial owner	12,500,000	27 December 2007	27 December 2007 to 6 January 2011	0.52

Notes:

1. These interests in Shares are held by Chi Capital, a company wholly owned by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in all the Shares held by Chi Capital. Among the 121,605,000 Shares in which Mr. Wong is deemed to be interested under the SFO, (a) 81,070,000 are registered in the name of Chi Capital, (b) 32,428,000 are in respect of Offer Shares which Chi Capital has undertaken to subscribe under the Open Offer and (c) 8,107,000 are in respect of Warrants to be issued by the Company to Chi Capital in accordance with the terms of the Open Offer.

2. These Shares represent an interest in 12,500,000 underlying Shares in respect of Share Options granted by the Company to Mr. Wong as stated above.

3. Among the 23,152,743 Shares in which Mr. Hsu Chung is interested, 12,500,000 are in respect of Share Options granted by the Company to Mr. Hsu Chung as stated above.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in the Shares:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of existing issued share capital of the Company
SBI E2-Capital Asia Limited	Beneficial owner	399,215,000[1]	25.11%
Clear Smart Enterprises Limited	Controlled corporation	399,215,000[2]	25.11%
Shelly Sean Singhal	Controlled corporation	399,215,000[2]	25.11%
Century Champion Group Limited	Beneficial owner	256,470,000	16.13%
Vertex Precision Electronics Inc.	Controlled corporation	256,470,000[3]	16.13%
Shikumen Special Situations Fund	Beneficial owner	143,157,500	9.00%
Lau Jeffrey Chun Hung	Investment manager	143,157,500[4]	9.00%
Tang Yu Ming Nelson	Investment manager	143,157,500[4]	9.00%
Ta Chong Bank Co. Ltd.	Beneficial owner	130,000,000	8.18%
Chi Capital	Beneficial owner	121,605,000[5]	7.65%

Notes:

1. Among the 399,215,000 Shares in which SBI E2-Capital Asia Limited was deemed to have interest by virtue of sub-underwriting agreement made with the Underwriter, (a) 319,372,000 Shares are Offer Shares and (b) 79,843,000 are underlying Warrant Shares.

2. These represent the same parcel of Shares in which SBI E2-Capital Asia Limited is deemed to be interested under the SFO.

3. These represent the same parcel of Shares in which Century Champion Group Limited is deemed to be interested under the SFO.

4. These represent the same parcel of Shares in which Shikumen Special Situations Fund is deemed to be interested under the SFO.

Among the 121,605,000 Shares in which Chi Capital is deemed to be interested under the SFO, (a) 81,070,000 are registered in the name of Chi Capital, (b) 32,428,000 are in respect of Offer Shares which Chi Capital has undertaken to subscribe under the Open Offer and (c) 8,107,000 are in respect of Warrants to be issued by the Company to Chi Capital in accordance with the terms of the Open Offer.

5. Mr. Wong, an executive Director, is also a director of Chi Capital.

According to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, save as disclosed above, there were no other persons (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any option in respect of such capital.

MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the Group within the two years preceding the Latest Practicable Date and which are or may be material:

(a) On 21 May 2008, the Company entered into the subscription agreement with the subscribers for the subscription of 250,000,000 new Shares for an aggregate consideration of HK$36,500,000 at the subscription price of HK$0.146 per Share;

(b) On 11 July 2008, the Company entered into the subscription agreement with the subscribers for the subscription of an aggregate 90,000,000 new Shares for an aggregate consideration of HK$10,800,000 at the subscription price of HK$0.12 per Share; and

(c) the Underwriting Agreement.

CLAIMS AND LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries.

SERVICE CONTRACTS

None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one (1) year without payment of compensation (other than statutory compensation)).

EXPERT AND CONSENT

The following is the qualification of the expert who has been named in the Prospectus or has given advice which is contained in the Prospectus:

Name	Qualification
Deloitte Touche Tohmatsu ("DTT")	Certified Public Accountants

DTT has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion herein of its report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, DTT had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, DTT had no direct or indirect interests in any assets which had been, since 31 December 2007 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to any member of the Group.

PARTICULARS OF DIRECTORS

Executive Directors

Mr. Lin Cheng Hung (林正弘), aged 41, 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 10 years of experience in the printed circuit board industry. Mr. Lin was a director of 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) ("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. Wong Chau Chi (黃秋智), aged 43, is the chief executive officer of the Company. 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 restructing, 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. Hsu Chung (徐中), aged 56, 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 20 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 49, 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 鉅國創業投資顧問股份有限公司 (Giga Venture Partners & Co) as a director since August 2001 and as a general manager since October 2001 until October 2004 during which he was responsible for major investment decision making. Mr. Huang had been the assistant general manager of Hotung Investment Holdings Limited, a company whose shares are listed on the Singapore Exchange Securities Trading Limited, for around 6 years and he had worked for several manufacturing companies for around 11 years. Mr. Huang is currently an independent director of WINSTEK Semiconductor Corporation (台耀電子股份有限公司), whose shares are traded on the Gretai Securities Market, and of Everspring Industry Co., Ltd (雲辰電子股份有限公司), a company listed on the Taiwan Stock Exchange Corporation. Save as aforesaid, Mr. Huang had not held any position nor directorship in other listed companies in the three preceding years.

Non-executive Directors

Mr. Chou Tsan Hsiung (周燦雄), aged 66, 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 has 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 65, 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 44, 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, Hong Kong based human resources advisory firm.

Dr. Li Jun (李珺), aged 47, obtained a doctorate degree of philosophy in Political Economy from Oxford University in the United Kingdom. He was a senior manager and director of a number of securities and investment companies in Hong Kong and had extensive experience in international financial market. Dr. Li is currently an executive director of Superb Summit International Timber Company Limited (Stock code: 1228) and an independent non-executive director of Zhejiang Glass Company Limited (Stock Code: 739) and Hong Long Holdings Limited respectively (Stock code: 1383).

Independent non-executive Directors

Mr. Wang Wei-Lin (王偉霖), aged 36, 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 School of Law (世新大學法學院助理教授). 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 47, 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 21 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.

PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business	1701-1702, 17/F. The Hong Kong Club Building 3A Chater Road Central Hong Kong
Legal adviser to the Company	*On Hong Kong Law* Iu, Lai & Li 2001-2004, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong *On Cayman Islands Law* Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Auditor	Deloitte Touche Tohmatsu 35/F., One Pacific Place 88 Queensway Hong Kong
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office	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 and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F., Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Authorized representatives	Huang Lien Tsung 4th Floor, No.26, Alley 25, Lane 280, Section 6, Min-Chuan East Road, Nei-Hu, Taipei City, Taiwan
	Cheung Kai Cheong, Willie Flat C, 4th Floor, Block 3, Provident Centre, 25 Wharf Road, North Point, Hong Kong
Qualified accountant and company secretary	Cheung Kai Cheong, Willie *ACCA*

LEGAL EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of the Prospectus, the Prospectus shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

EXPENSES

The expenses in connection with the Open Offer, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK$3.2 million and will be payable by the Company.

DOCUMENTS REGISTERED BY THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed "Expert and consent" in this Appendix have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

MISCELLANEOUS

The Prospectus Documents have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (except Saturday and public holidays) at the principal place of business of the Company in Hong Kong at 1701-1072, 17/F., The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, up to and including 30 September 2008:

(a) the Memorandum and Articles of Association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 December 2006 and 2007 respectively;

(c) the letter of consent referred to under the section headed "Expert and consent" in this Appendix;

(d) the material contracts referred to in the section headed "Material contracts" in this Appendix;

(e) the report from DTT on the unaudited pro forma financial information on the Group, the text of which is set out in Appendix II to the Prospectus; and

(f) the Prospectus.