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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

2007 Annual Report

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Lin Cheng Hung *(Chairman)*
Mr. Wong Chau Chi
(appointed with effect from 4 May 2007)
Mr. Hsu Chung
Mr. Huang Lien Tsung
Ms. Lin Yi Ting
(appointed with effect from 4 May 2007)
Mr. Shao Yi
(appointed with effect from 5 June 2007 and resigned with effect from 1 February 2008)

Non-executive Directors

Mr. Lee Cheng Few
(resigned with effect from 1 February 2007)
Mr. Chou Tsan Hsiung
Mr. Nguyen Duc Van
Mr. Yang Yi
(appointed with effect from 1 February 2007)
Dr. Li Jun
(appointed with effect from 1 June 2007)

Independent Non-executive Directors

Mr. Wang Wei Lin
Mr. Chow Chi Tong
Mr. Liao Kuang Sheng

Company Secretary and Qualified Accountant

Mr. Lee Wai Yin, FCCA, CPA

Authorised Representative

Mr. Huang Lien Tsung
Mr. Lee Wai Yin

Auditor

Deloitte Touche Tohmatsu

Legal Advisor as to Hong Kong law

Chiu & Partners

Registered Office

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

Principal Office in Hong Kong

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Stock Code: 471

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Chairman's Statement

Dear Shareholders:

On behalf of the Board of Directors, I am pleased to present the annual report of Global Flex Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2007.

BUSINESS REVIEW

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

The financial year of 2007 has been difficult for us compared with year 2006. The Group recorded a total turnover of approximately US$ 311.6 million, a decrease of 1.3% from 2006. Turnover of Flexible printed circuit boards ("FPC") and Rigid printed circuit boards assembly ("PCBA") grew by 64.10% and 50.3%, whereas Flexible printed circuit boards assembly ("FPCA") and Rigid printed circuit board ("PCB") reduced by 17.4% and 25.7%. The increase in operating income from FPC was mainly due to an increase in the demand for intelligent cell phone customers. In addition, increase in operating income from PCBA was due to the Group's continuous development of marketing to customers in the People's Republic of China ("PRC"). On the other hand, decrease in operating income from FCBA was mainly due to a major mobile phone customer's market share reduction since 2007. Finally, the decrease in turnover from PCB was mainly caused by the temporary decline in production capacity as a consequence of the PCB factory relocation, the upgrade of product level and the selection of better margin customers from the end of first half of 2007.

The Group has been facing a difficult situation this year of rising costs of material, Renminbi appreciation and credit facilities tightened up. It was under these situations that the Company is required to go through transformation of production restructuring, reduction of costs of materials, accounts receivable reassessment to clean up the idling resources.

FUTURE PROSPECTS

Although PCB industry continuously develops in a fast pace in PRC, being one of the leading enterprises in the FPC industry, the Group will continuously attend to the development of the high end products of multi-layer flex, rigid flex and High Density Interface ("HDI") PCB products. In addition, the Group has also concentrated on the development new growth of customers which are famous global brand names in electronic device.

The Group will pay more attention to higher margin products and customers. It will be the management's focus this year to enhance our management standard, optimize our cost structure and actively minimize the overhead.

Going forward, we believe by upgrading our products quality to meet the requirements of higher end market segments, concentrating on better customers, reducing cost structure, strengthening of production efficiencies and improving information technology and implementing effective management of the Group, we will continue to grow to a upper segment of the market and to avoid the overcapacity of lower end PCB market.

Chairman's Statement

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to business partners, customers, shareholders and employees of the Company for their support. On behalf of the Directors, I would like to express of my sincerity to the Company's staffs for their dedication and contribution to the Company during this difficult financial year.

For and on behalf of the Board

Lin Cheng Hung
Chairman
Hong Kong, 25 April 2008

Management Discussion and Analysis

INDUSTRY REVIEW

Printed circuit boards, including FPC and PCB, are one of the fundamental components found in most electronic products such as mobile phones, digital cameras, computer products and consumer electronics products. To accommodate miniaturisation and increasing number of components of electronic devices, the FPC and PCB require finer circuitry and more layer count. The industry continued to grow in 2007 but competition has also intensified and competitors have expanded their production capacity.

More and more FPC and PCB facilities are being established in China and FPC and PCB solution providers in China are becoming more competitive in the world.

BUSINESS/OPERATION REVIEW

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

During the financial year of 2007, the Group recorded a total turnover of approximately US$311.6 million, an decrease of 1.3% from 2006. Turnover of FPC and PCBA grew by 64.10% and 50.3% respectively. On the other hand, turnover of FPCA and PCB reduce by 17.4% and 25.7% respectively. The increase in operating income from FPC was mainly attributable to an increase in the demand for the intelligent cell phone customers. In addition, increase in operating income from PCBA was due to the Group's continuous development of the market of customers in the PRC. On the other hand, decrease in operating income from FPCA was mainly due to a major mobile phone customer's market share reduction since 2007. Finally, the decrease in turnover from PCB was mainly due to the temporary decline in production capacity as a consequence of the PCB factory relocation, the upgrade of product level and the selection of better margin customers from the end of first half of 2007. Net loss for the year under review amounted to approximately US$29.8 million.

FINANCIAL REVIEW

For the financial year ended 31 December 2007, the Group recorded a turnover of approximately US$311.6 million and loss for the year of approximately US$29.8 million as compared to turnover of approximately US$315.5 million and profit of approximately US$12.4 million for the year ended 31 December 2006, representing a decrease of approximately 1.3% and a decrease of approximately 340.4% respectively. Loss per share was approximately US2.4 cents (2006: Earning per share approximately US1.0 cents) and net assets per share of the Company was approximately US7.4 cents (2006: approximately US9.4 cents).

Management Discussion and Analysis

Turnover

The turnover of the Group for the year ended 31 December 2007 and the comparative figures of 2006 classified by categories of the major products are set out below:

Turnover by operations

	2007		2006		**Change**
	US$'000	**%**	US$'000	%	%
FPC solutions					
FPCA	**136,695**	**43.9**	165,564	52.5	(17.4)
FPC	**31,428**	**10.1**	19,146	6.0	64.1
Total FPC solutions	**168,123**	**54.0**	184,710	58.5	(8.9)
PCB solutions					
PCBA	**91,512**	**29.4**	60,856	19.3	50.3
PCB	**51,968**	**16.6**	69,971	22.2	(25.7)
Total PCB solutions	**143,480**	**46.0**	130,827	41.5	9.6
Total	**311,603**	**100.0**	315,537	100.0	(1.3)

The Group's turnover was mainly derived from sales of FPC solutions and PCB solutions. With reference to the above table, turnover from sales of FPC solutions and sales of PCB solutions for the year ended 31 December 2007 were approximately US$168.1 million and US$143.5 million (2006: US$184.7 million and US$130.8 million) respectively, representing approximately 54.0% and approximately 46.0% of the total sales of the Group (2006: 58.5% and 41.5%) respectively.

The decrease of 17.4% in sales of FPCA in 2007 was mainly due to the drop of market share of a major customer of the Group which led to a reduction of demand from the customer. Although the major customer's order has reduced, the demand from other intelligent cell phone customers has increased. The increase of 64.1% in the sales of FPC in 2007 was mainly due to significantly increase in demand from those intelligent cell phone customers.

On the other hand, the sales of PCBA have increased by approximately 50.3% in 2007. The increase in the turnover from PCBA was primarily due to the significant increase in demand from those customers in the PRC. Such increase in turnover in PCBA may also bring additional liquidity and finance risk for the Group. The Group has decided to change the mode of the PCBA business so as not to bear any raw material cost of the customers. The Company only charges the subcontracting fee to the customers under PCBA business. In doing so, significant liquidity and finance risk of funding can be reduced.

The sales of PCB have decreased by approximately 25.7% in 2007. The decrease in the turnover from PCB was primarily due to the temporary decline in production capacity as a consequence of the PCB factory relocation, the upgrade of product level and the selection of better margin customers from the end of the first half of 2007. The Company expects the turnover from PCB will increase due to the demand for high density interface PCB, PCB for automobile, ceramic base PCB and aluminium base PCB, which are expected to have significant growth in the coming year.

Gross profits margin by operations

	2007	2006
	%	%
FPC solutions		
FPCA	**10.3**	17.4
FPC	**(8.2)**	4.4
PCB solutions		
PCBA	**(3.3)**	4.9
PCB	**(3.9)**	5.6
Total	**2.0**	11.6

The Group's gross profit decreased from approximately US$36.5 million for the year ended 31 December 2006 to approximately US$6.3 million for the year ended 31 December 2007. The overall gross profit margin declined from approximately 11.6% for the year ended 31 December 2006 to approximately 2.0% for the year ended 31 December 2007. The gross profit and gross profit margin decrease mainly due to the following:

1. The appreciation of Renminbi ("RMB") to US dollar and inflation in PRC are main factors affecting the labour cost and manufacturing overhead, which both significantly increase during the year.

2. Raw material costs increase because of the continous increase in petroleum and metal prices in 2007.

3. The gross profit margin of FPCA and PCB reduce also due to the reduction in demand from the major customer.

4. The gross loss margin for PCBA and PCB both decrease due to the significant increase in material and component cost because of RMB appreciation which cannot be reallocated in the selling price of the products. Due to deteriorating profit margin and intensified competition in PCBA, the Group had started to scale down such business since the fourth quarter of 2007. As a result, impairment loss on trade and other receivables and raw material increases for those PCBA and PCB customers.

Operating expenses

Distribution costs for the year ended 31 December 2007 increased by 9.5% to approximately US$8.4 million, as compared to that of approximately US$7.7 million for the year ended 31 December 2006. The increase in distribution and selling expenses was primarily due to a significant increase in transportation costs during the year as a result of a continuous rise in oil prices. The other items comprising the distribution and selling expenses were in line with the level of turnover.

The administrative expenses for the year ended 31 December 2007 increased by approximately 71.5% to approximately US$19.9 million as compared to that of approximately US$11.6 million for the year ended 31 December 2006. The significant increase was mainly due to the impairment loss on trade and other receivables overly aged in accordance with the Group's accounting policy and an increase in salaries as a result of an increase in the rate of administrative and management staffs during the year. In addition, as a result of the appreciation of RMB against the US dollar during the year, the Group suffered a greater exchange loss in the year comparing with year 2006. On the other hand, share option benefits granted to directors and employees of the Group also increase during the year.

Finance costs of the Group for the year ended 31 December 2007 increased by 22.6% to approximately US$7.6 million, as compared to that of approximately US$6.2 million for the year ended 31 December 2006. The increase in finance costs was mainly due to an increase in rises in interest rates during the year.

Liquidity and financial resources

The Group had shareholders' funds of approximately US$92.0 million as at 31 December 2007 and approximately US$117.5 million as at 31 December 2006. Current assets amounted to approximately US$146.2 million mainly comprising bank balances and cash of approximately US$10.9 million, pledged bank deposits of approximately US$8.6 million, inventories of approximately US$40.0 million and trade and other receivables of approximately US$86.3 million. Current liabilities amounted to approximately US$153.5 million mainly comprising bank borrowings of approximately US$69.1 million and trade and other payables of approximately US$84.0 million.

As at 31 December 2007, the Group's current ratio was 1.0 (2006: 1.2) and the gearing ratio (a ratio of total loans to total assets) was 28.1% (2006: 34.9%).

Foreign currency exchange risk

The Group's sales and purchases were denominated in US dollar and RMB. The sales in US dollar and RMB represented approximately 89% and 11% respectively for the year ended 31 December 2007 (2006: 82% and 18%). The purchases in US dollar and RMB represented approximately 76% and 24% respectively for the year ended 31 December 2007 (2006: 69% and 31%). The sales and purchases in US dollar substantially hedged the risks of transactions in foreign currency and the Group did not make any other hedging arrangement in the two years ended 31 December 2007.

SEGMENTAL INFORMATION

As at 31 December 2007, detail segmental information of the Group is set out in note 8 to the financial statements in this annual report.

EMPLOYEE BENEFITS

For the year ended 31 December 2007, average number of employees of the Group was approximately 6,500 (2006: approximately 7,600). For the year ended 31 December 2007, the Group's staff costs (excluding Directors' fees and emoluments) amounted to approximately US$28.9 million(2006: US$25.2 million). The remuneration policy of the Company is reviewed annually and is in line with the prevailing market practice. During the year under review, the Company has granted 54,500,000 share options to its employees or Directors under the share option scheme of the Company adopted on 5 July 2005.

The employees of the Company's subsidiaries in the PRC are members of a state-managed social welfare scheme operated by the local government of the PRC. Under the scheme, the Group provides retirement, medical, employment injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of their payroll costs to the social welfare scheme to fund the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions. During the year under review, the Group contributed approximately US$1.2 million (2006: US$1.2 million) to the scheme.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

For year ended 31 December 2007, the Group did not have any material acquisition or disposals of subsidiaries and associated companies.

CHARGE ON ASSETS

As at 31 December 2007, pledges of the Group's properties, prepaid lease payment, trade receivable and bank deposits amounted to approximately US$12.1 million, US$0.7 million, US$22.2 million and US$8.6 million respectively (2006: US$16.9 million, US$0.2 million, US$49.5 million and US$13.5 million) to secure bank borrowings.

CONNECTED TRANSACTIONS

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

Completion of the acquisition of equipment from Vertex Precision Electronics Inc.

Vertex Precision Electronics Inc. ("Vertex"), the indirect substantial shareholder of the Company, entered into an agreement with Global Technology International Limited ("GTI"), a direct wholly-owned subsidiary of the Company on 29 September 2006 pursuant to which Vertex agreed to sell machinery and equipment for production of 4 to 6 layers PCBs for cars, mobile phones, computer peripheral and telecommunication products to GTI for a consideration of US$1.8 million. During the year, the machinery and equipment are received. The transaction was completed.

Lease of apartments by Mr. Hsu Chung to the Group

Global Flex (Suzhou), an indirect wholly-owned subsidiary of the Company, entered into two tenancy agreements with Mr. Hsu Chung, an executive Director, on 13 September 2004 pursuant to which Mr. Hsu Chung leased to Global Flex (Suzhou) two apartments situated in Suzhou. These apartments are used as staff quarters of the Group in Suzhou. During the year, the total rental paid to Mr. Hsu Chung for these two apartments amounted to US$23,738 (2006: US$20,554).

Rental of office and provision of consultancy services from Chi Capital Partners Limited by the Group

The Company entered into a tenancy agreement with Chi Capital Partners Limited, which is a company wholly owned by Mr. Wong Chau Chi, an executive Director on 1 November 2007 pursuant to which Chi Capital Partners Limited rents an office to the Company as its registered office in Hong Kong. During the year, the total rental paid to Chi Capital Partners Limited for the office amounted to USD9,806 (2006: Nil).

The Company also entered into a consultancy services agreement with Chi Capital Partners Limited on 1 November 2007 pursant to which Chi Capital Partners Limited will provide consultancy services for the Group for financial and public relation. During the year, the total consultancy fee paid to Chi Capital Partners Limited amounted to USD10,323 (2006: Nil).

Except for the above, there are no other connected transactions and / or continuing connected transactions during the year under review.

The independent non-executive Directors confirm that the transactions above have been entered into by the Group in the ordinary course of its business on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINGENT LIABILITIES

As at 31 December 2007, neither the Group nor the Company has any significant contingent liabilities (2006: Nil).

PROSPECTS AND FUTURE PLANS

Printed circuit board industry in PRC develops in a fast pace. Some data show that PRC will face the serious situation of overcapacity for the low end products of PCB. Being one of the leading enterprises in the FPC industry, the Group will continuously attend to the development of the high end products of FPCA and High Density Interface ("HDI") PCB. 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 our management standard, optimize our cost structure and actively minimize the overhead, distribution and administration cost. The Directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative 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 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 and in accordance with the relevant requirements under the Listing Rules. The Directors of the Company plan to process the placement as soon as practicable and will take steps and publish announcement thereon in compliance with the Listing Rules. The Directors may also consider other fund-raising exercise in the form of rights issue and/or such other form as may be considered appropriate. In addition, the Group has been negotiating with banks to restructure our bank loans. Finally, the Group is also considering the disposal of some plant and equipment which do not directly affect the operation of the Group. The purpose is mainly for strengthening the working capital of the Group and reducing the cost of excess production capacity.

Board of Directors and Senior Management

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. Lin is the brother of Ms. Lin Yi Ting, who is the chief financial officer of the Group.

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 Holdings Limited, 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.

Board of Directors and Senior Management

Ms. Lin Yi Ting (林儀婷), aged 42, is the chief financial officer of the Group and is responsible for overall operation and management of the finance department. Ms Lin graduated with an MBA degree from Woodbury University, USA in December 1994 and a master degree in Accounting from 國立台灣大學 (National Taiwan University) in June 2002. From May 1998 to October 2002, Ms. Lin has worked as manager in the finance and investment department of Vertex. Ms. Lin is currently a supervisor of a subsidiary of Vertex, namely 聯茂投資股份有限公司 (ITEQ Investment Co., Ltd.). Ms. Lin has worked for First Steamship Company Limited in Taiwan from February 2003 to August 2004 as financial manager. Since October 2002, Ms. Lin has joined the Group as a consultant and in August 2004, Ms. Lin became the chief financial officer of the Group. Ms. Lin is the sister of Mr. Lin Cheng Hung.

Mr. Shao Yi (邵義), aged 47, has joined the Company as a deputy chief financial officer since January 2007. Mr. Shao has extensive experience in the financial and investment industry. Previously, he was worked at Goldman Sachs, Merrill Lynch, World Bank in areas of proprietary trading, derivatives, financial analysis, and economist. Save as aforesaid, Mr. Shao Yi does not hold any other major appointments or qualifications and had not held any position nor directorship in other listed companies in the three preceding years. Mr. Shao has resigned effective on 1 Feb 2008.

NON-EXECUTIVE DIRECTORS

Mr. Lee Cheng Few (李正福), aged 69, was appointed as a non-executive Director of the Company in June 2005. Mr. Lee graduated with a doctoral degree in Philosophy from the State University of New York at Buffalo. Mr. Lee had been an assistant professor in Banking Finance Department of the University of Georgia from 1973 to 1976 and had subsequently worked in the department of finance of the University of Illinois as an associate professor from August 1976 to July 1978. Mr. Lee worked as a professor from August 1978 to June 1988 and as a visiting professor of the department of finance of the Chinese University of Hong Kong from August 1993 to June 1994. Mr. Lee was an independent supervisor of Megic Corporation from November 2003 to May 2005 and he is currently an independent supervisor of Vertex, the indirect controlling Shareholder of the Company. Save as aforesaid, Mr. Lee had not held any position nor directorship in other listed companies in the three preceding years. Mr. Lee has resigned as a Director with effect from 1 February 2007.

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's previously worked in the Legal Affairs Office of the Central Trust of China. Mr. Chou had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Nguyen Duc Van, aged 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.

Board of Directors and Senior Management

Mr. Yang Yi (楊毅), aged 44, was appointed as a non-executive Director in Feb 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.

Mr. Liao Kuang Sheng (廖光生), aged 67, was appointed as an independent non-executive Director in September 2006. Mr. Liao is a professor of the National University of Kaohsiung in Taiwan. In 1963, Mr. Liao first graduated with a Bachelor Degree of Law. In 1974, he was awarded a degree of Doctor of Philosophy (Political Science) by the University of Michigan, the United States of America. He assumed positions of professor and Chairman of the Department of the Government and Public Administration of the Chinese University of Hong Kong. He also assumed positions of professor and/or head of department at the National Taiwan University and the National University of Kaohsiung in Taiwan. He assumed political positions such as a former member of the legislature of the Taiwan Government.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lu Cheng Ming, Michael (呂政明), aged 41, is the General Manager of Rigid PCB Department. Mr. Lu graduated with a bachelor degree of Chemical Engineering from Taiwan National Cheng Ku University (台灣國立成功大學). Mr. Lu spent 10 years in Shenzhen Auto Cad PCB Company (至卓飛高) as a Vice General Manager.

Mr. Huangfu Ming (皇甫銘), aged 39, is the manufacturing director of the Group. Mr. Huangfu graduated from the Mechatronics 機電一體化 division of 華東工業學院 (East China Industrial College). Mr. Huangfu is responsible for all production-related issues regarding the FPC solutions operation of the Group. Mr. Huangfu has over 10 years of experience in the printed circuit board industry. Prior to joining the Group in April 1999, Mr. Huangfu has worked for Multi-Fineline Electronix (Suzhou) Co., Ltd. for over 4 years as a supervisor of the design department.

Mr. Fang Chang Fa (方長發), aged 49, is the general manager of the Company and is responsible for the management and supervision of sales and market development. Mr. Fang graduated with a bachelor of Chemical Engineering from 中原大學 (Chung Yuan Christian University). Mr. Fang has worked for several electronics manufacturing companies. Prior to joining the Group in January 2000, Mr. Fang has worked in Vertex as a production manager and a sales manager.

Corporate Governance Report

The board of directors of the Company ("Board") considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2007. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company in the financial year under review. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

Composition and role

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

Executive Directors:	Lin Cheng Hung *(Chairman)*
	Wong Chau Chi
	Hsu Chung
	Huang Lien Tsung
	Lin Yi Ting
	Shao Yi (Resigned with effect from 1 February 2008)
Non-executive Directors	Chou Tsan Hsiung
	Nguyen Duc Van
	Yang Yi
	Li Jun
	Lee Cheng Few (Resigned with effect from 1 February 2007)
Independent non-executive Directors	Wang Wei Lin
	Chow Chi Tong
	Liao Kuang Sheng

As at 31 December 2007, the Board comprises of six executive Directors (one of whom is the Chairman) and seven non-executive Directors. Of the seven non-executive Directors, three of them are independent non-executive Directors which represent about a quarter of the Board. In addition, one of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise.

Corporate Governance Report

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

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

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

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

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

Save and except disclosed in the section "Board of Directors and senior management" in this annual report, there is no relationship among members of the Board, and between the chairman and the chief executive officer.

During the year, seven full Board meetings were held and the individual attendance of each Director is set out below:

Name of Director	Number of Board meetings attended	Attendance rate
Lin Cheng Hung *(Chairman)*	7/7	100%
Wong Chau Chi (appointed with effect from 4 May 2007)	4/7	57%
Hsu Chung	7/7	100%
Huang Lien Tsung	7/7	100%
Lin Yi Ting (appointed with effect from 4 May 2007)	4/7	57%
Shao Yi (appointed with effect from 5 June 2007 and resigned with effect from 1 February 2008)	3/7	43%
Lee Cheng Few (resigned with effect from 1 February 2007)	0/7	0%
Chou Tsan Hsiung	7/7	100%
Nguyen Duc Van	7/7	100%
Yang Yi (appointed with effect from 1 February 2007)	6/7	86%
Li Jun (appointed with effect from 1 June 2007)	3/7	43%
Wang Wei Lin	7/7	100%
Chow Chi Tong	7/7	100%
Liao Kuang Sheng	7/7	100%

Chairman and Chief Executive Officer

During the year under review, six executive Directors, Mr. Lin Cheng Hung, Mr. Wong Chau Chi, Mr. Hsu Chung, Mr. Huang Lien Tsung, Ms. Lin Yi Ting and Mr. Shao Yi, served as the Chairman, the Chief Executive Officer, the Chief Operating Officer, an executive director, the Chief Financial Officer and the Deputy Chief Financial Officer of the Company respectively. Mr. Huang Lien Tsung resigned as the Chief Executive Officer of the Company with effect from 24 January 2007 and remains as an executive Director of the Company. Effective on the same day, Mr. Wong Chau Chi, Charles was appointed as new Chief Executive Officer of the Company. The Chairman is responsible for the overall business development operation strategy of the Group. The Chief Operating officer is responsible for marketing and product development. The Chief Executive Officer is responsible for financial and administration management and investment issue of the Group.

Re-election of Directors

Each of the non-executive Directors and the independent non-executive Directors of the Company has entered into a service contract with the Company for an initial term of one year. The term of each of the non-executive Directors and the independent non-executive Directors shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of their then current term of appointment, unless terminated by not less than three months notice in writing served by either the respective non-executive Director and independent non-executive Director or the Company expiring at the end of the initial term or at any time thereafter. According to Articles 108(A) of the Company's Articles of Association (the "Articles"), one-third of the Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

Audit Committee

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

Chow Chi Tong *(Chairman of the Audit Committee)*
Chou Tsan Hsiung
Liao Kuang Sheng

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

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

The Audit Committee has reviewed the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the accounts for the year ended 31 December 2007.

During the year ended 31 December 2007, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Director	Number of committee meetings attended	Attendance rate
Chow Chi Tong	2/2	100%
Chou Tsan Hsiung	2/2	100%
Liao Kuang Sheng	2/2	100%

REMUNERATION COMMITTEE

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

Wang Wei-Lin *(Chairman of the Remuneration Committee)*
Chou Tsan Hsiung
Chow Chi Tong
Liao Kuang Sheng

The majority of the Remuneration Committee members are independent non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee ensures that no Director or any of his/her associate is involved in deciding his/her own remuneration.

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

The Remuneration Committee meets regularly to determine the policy for the remuneration of Directors and assess performance of executive directors and certain senior management. During the year ended 31 December 2007, one Remuneration Committee meetings were held, the individual attendance of each member is set out below:

Name of Director	Number of committee meetings attended	Attendance rate
Wang Wei-Lin	1/1	100%
Chou Tsan Hsiung	1/1	100%
Chow Chi Tong	1/1	100%
Liao Kuang Sheng	1/1	100%

NOMINATION OF DIRECTORS

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

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

During the year 2007, two of the Board meetings were held in relation to the nomination of Directors. In such Board meetings, the Board has reviewed the qualifications, experiences and background of the relevant candidates. Then the Board approved the appointment of the suitable candidate as Directors after thorough discussion.

AUDITOR'S REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by the auditor to the Group for the year ended 31 December 2007 is summarised as below:

Services	**Remuneration (US$)**
Audit services	175,974
Significant non-audit services	—
	175,974

INTERNAL CONTROLS

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2007, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

AUDITOR'S STATEMENT

The auditors of the Company acknowledge their responsibilities in the auditor's report on the financial statements of the Group for the year ended 31 December 2007.

INVESTOR RELATIONSHIP AND COMMUNICATION

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

For and on behalf of the Board

Lin Cheng Hung
Chairman
Hong Kong, 25 April 2008

Report of the Directors

The directors of the Company ("Directors") are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 34 of the 2007 annual report of the Company ("2007 Annual Report") of which this report forms part.

The Directors decide not to declare any final dividend to the shareholders of the Company for the year ended 2007.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditures of approximately US$23.5 million on new machinery and equipment. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company as at 31 December 2007 amount to approximately US$36,840,000 which comprise accumulated profits and contributed surplus of approximately US$4,729,000 and US$32,111,000 respectively.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Lin Cheng Hung *(Chairman)*	
Mr. Wong Chau Chi	(Appointed with effect from 4 May 2007)
Mr. Hsu Chung	
Mr. Huang Lien Tsung	
Ms. Lin Yi Ting	(Appointed with effect from 4 May 2007)
Mr. Shao Yi	(Appointed with effect from 5 June 2007 and resigned with effect from 1 February 2008)

Non-executive Directors

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

Independent non-executive Directors

Mr. Wang Wei-Lin
Mr. Chow Chi Tong
Mr. Liao Kuang Sheng

In accordance with Articles 108(A), at each annual general meeting one third of the Directors for the time being shall retire from office by rotation. Mr. Hsu Chung , Mr. Huang Lien Tsung and Mr. Nguyen Duc Van will retire from the office and offer themselves for re-election at the annual general meeting of the Company to be held in 2008 ("Annual General Meeting").

In accordance with Article 112 of the Articles of Association, the office of Dr. Li Jun will end at the Annual General Meeting. Dr. Li Jun, being eligible, will offer himself for re-election at the Annual General Meeting.

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

Each of the non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for an initial period of one year and shall be renewable automatically for successive terms of one year each commencing from the next day after the expiry of their then current term of appointment unless terminated by either party by three months' prior written notice.

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2007, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(a) Ordinary shares

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Total number of ordinary shares (Note 1)	Approximate percentage of interest
Mr. Lin Cheng Hung	The Company	Beneficial owner	9,431,452 shares (L)	0.755%
	Vertex Precision Electronics Inc. ("Vertex")	Beneficial owner	882,020 shares of NT$10 each (L)	0.293%
	Chia-Tung Investment Co., Ltd. ("Chia-Tung Investment")	Beneficial owner	1,000 shares of NT$10 each (L)	0.01%
	ITEQ Investment Co., Ltd.	Beneficial owner	1,000 shares of NT$10 each (L)	0.004%
	ITEQ Investment Co., Ltd.	Interest of spouse (Note 2)	1,000 shares of NT$10 each (L)	0.004%
Mr. Hsu Chung	The Company	Beneficial owner	19,152,743 shares (L)	1.532%
	Vertex	Beneficial owner	6,632 shares of NT$10 each (L)	0.002%
Mr. Huang Lien Tsung	The Company	Beneficial owner	1,526,292 shares (L)	0.122%
Mr. Wong Chau Chi	The Company	Beneficial owner	102,350,000 shares (L)	8.188%
		Interest of controlled corporation (Note 3)	75,267,500 shares (L)	6.021%

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Total number of ordinary shares (Note 1)	Approximate percentage of interest
Ms. Lin Yi Ting	The Company	Beneficial owner	3,385,586 shares (L)	0.271%
	Vertex	Beneficial owner	317,913 shares of NT$10 each (L)	0.106%
	Chia-Tung Investment	Beneficial owner	1,000 shares of NT$10 each (L)	0.01%
	ITEQ Investment Co., Ltd.	Beneficial owner	1,000 shares of NT$10 each (L)	0.004%
Mr. Nguyen Duc Van	The Company	Beneficial owner	573,638 shares (L)	0.046%
Mr. Liao Kuang Sheng	Vertex	Beneficial owner	36,732 shares NT$10 each (L)	0.012%

Notes:

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

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

3. These shares are registered under the name of Chi Capital Holdings Limited ("Chi Capital"), a company wholly owned by Mr. Wong Chau Chi and he was the sole director of Chi Capital. Under the SFO, Mr. Wong Chau Chi was deemed to be interested in all the shares of the Company held by Chi Capital.

(b) Share options

Name of Director	Capacity/ nature of interest	Number of options held	Number of underlying share
Mr. Hsu Chung	Beneficial owner	12,500,000	12,500,000
Mr. Wong Chau Chi	Beneficial owner	12,500,000	12,500,000
Mr. Shao Yi	Beneficial owner	12,500,000	12,500,000
		37,500,000	37,500,000

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

Other than as disclosed above, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2007 as required to be recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company operates a share option scheme (the "Scheme") which was adopted on 5 July 2005. During the Period, 92,000,000 share options were granted and no share option was exercised under the Scheme.

Movements of the share options of the Company during the year are listed below:

		Number of Share Options						
Category	Date of grant	Outstanding at 01/01/2007	Granted during the year (Notes 1 & 2)	Exercised during the year	Cancelled during the year	Outstanding at 31/12/2007	Exercise price per share HKD	Exercise period
Director								
Wong Chau Chi	24 January 2007	—	12,500,000 (Notes 1 & 2)	—	—	12,500,000	0.475	24 July 2007 to 23 January 2010
Shao Yi	24 January 2007	—	12,500,000 (Notes 1 & 2)	—	—	12,500,000	0.475	24 July 2007 to 23 January 2010
Hsu Chung	27 December 2007	—	12,500,000 (Note 5)	—	—	12,500,000	0.52	8 January 2008 to 6 January 2011
Total directors		—	37,500,000	—	—	37,500,000		
Cheung Keung	10 August 2007	—	1,666,666	—	—	1,666,666	0.49	10 August 2008 to 9 August 2011
		—	1,666,666	—	—	1,666,666	0.49	10 August 2009 to 9 August 2011
		—	1,666,667 (Note 3)	—	—	1,666,667	0.49	10 August 2010 to 9 August 2011
Lin Wen Han	10 August 2007	—	666,667	—	—	666,667	0.49	10 August 2008 to 9 August 2011
		—	666,667	—	—	666,667	0.49	10 August 2009 to 9 August 2011
		—	666,667 (Note 3)	—	—	666,667	0.49	10 August 2010 to 9 August 2011
Lu Cheng Ming	23 August 2007	—	3,333,333	—	—	3,333,333	0.47	23 August 2008 to 9 August 2011
		—	3,333,333	—	—	3,333,333	0.47	23 August 2009 to 22 August 2011
		—	3,333,334 (Note 4)	—	—	3,333,334	0.47	23 August 2010 to 22 August 2011
Total employees		—	17,000,000	—	—	17,000,000		
Consultants	24 January 2007	—	37,500,000 (Note 1 & 2)	—	—	37,500,000	0.475	24 July 2007 to 23 January 2010
Total		—	92,000,000	—	—	92,000,000		

Notes:

(1) The closing price of the Company's shares immediately before the dates on which the share options were granted were HK$0.465.

(2) Subject to certain vesting conditions as stated in the agreements with the grantees, the options granted to any grantees become exercisable upon the expiry of six months after 24 January 2007 up to 3 years from the date of grant of the options.

(3) The closing price of the Company's shares immediately before the dates on which the share options were granted were HK$0.47.

(4) The closing price of the Company's shares immediately before the dates on which the share options were granted were HK$0.47.

(5) The closing price of the Company's shares immediately before the dates on which the share options were granted were HK$0.28.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the paragraph "Share Option Scheme" above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of the relevant interests and short positions in the Company.

Name of Shareholder	Capacity of the Company	Number of ordinary shares (Note 1)	Percentage of the issued share capital
Century Champion Group Limited ("Century Champion") (note 2)	Beneficial owner	336,470,000(L)	26.92%
Vertex Precision Electronics Inc. ("Vertex") (note 2)	Interest of controlled corporation	336,470,000(L)	26.92%
Ta Chong Bank Co. Ltd.	Security interest in shares	130,000,000(L)	10.40%
Chi Capital Holdings Limited	Beneficial owner	8,532,500(L)	0.68%
	Interest of controlled coporation	66,735,000(L)	5.34%
Tong Ying Investment Limited	Security interest in shares	65,000,000(L)	5.20%
The Goldman Sachs Group Inc.	Interest of controlled coporation	75,267,500(L)	6.02%
Chi Capital Multi-Strategy Fund SPC-Segregated Portfolio Asia Opportunity	Beneficial owner	62,487,500(L)	5.00%

Notes:

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

2. These 336,470,000 Shares were registered in the name of and beneficially owned by the Century Champion, the entire issued share capital of which is beneficially owned as to 100% by Vertex. Under the SFO, Vertex is deemed to have a long position in respect of the 336,470,000 Shares held by Century Champion.

Other than as disclosed above, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the issued share capital and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2007.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 27% and 49% of the Group's turnover respectively. Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year did a Director, an associate of a Director or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

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

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

CONTROLLING SHAREHOLDER'S AND DIRECTORS' INTEREST IN COMPETING BUSINESS

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

As referred to in the section headed "Directors' interests in shares' above, each of Mr. Lin Cheng Hung, Mr. Hsu Chung, Ms. Lin Yi Ting and Mr. Liao Kuang Sheng, each being a Director, was a shareholder of Vertex as at 31 December 2007. Such Directors are indirectly interested in the business carried on by the Vertex Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities tranasactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issues ("Model Code") as set out in Appendix 10 to the Listing Rules on 5 July 2005. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the year ended 31 December 2007 and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

During the year under review, the Company has fully complied with the requirements under the Code Provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Directors considered that the Company had maintained a sufficient public float during the year under review.

AUDITOR

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

A resolution will be proposed in the forthcoming annual general meeting of the Company in 2008 to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lin Cheng Hung
Chairman
Hong Kong, 25 April 2008

Deloitte.
德勤

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

We have audited the consolidated financial statements of Global Flex Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 78, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of US$29,778,061 during the year ended 31 December 2007 and, as at 31 December 2007, the Group's current liabilities exceeded its current assets by US$7,323,476. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 April 2008

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

The consolidated financial statements on pages 34 to 78 were approved and authorised for issue by the Board of directors on 25 April 2008 and are signed on its behalf by:

Lin Cheng Hung
DIRECTOR

Wong Chau Chi
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital US$	Share premium US$	Merger reserve US$ (note 27)	Statutory reserve US$ (note 28)	Share option reserve US$ (note 25)	Capital reserve US$ (note 26)	Exchange reserve US$	Accumulated profits US$	Total US$
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 US$	2006 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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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 Transactions[3]
HK(IFRIC) – Int 12	Service Concession Arranagements[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

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).

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

***Market risk** (Continued)*

(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.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

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.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

***Credit risk** (Continued)*

Liquidity risk (Continued)

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 US$	31 to 90 days US$	91 to 180 days US$	181 to 365 days US$	More than 1 year US$	Total undiscounted cash flows US$	Carrying amount at 31/12/2007 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 US$	31 to 90 days US$	91 to 180 days US$	181 to 365 days US$	More than 1 year US$	Total undiscounted cash flows US$	Carrying amount at 31/12/2006 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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

8. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

	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

8. SEGMENTAL INFORMATION *(Continued)*

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%.

11. INCOME TAX EXPENSE *(Continued)*

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 US$	Hsu Chung US$	Huang Lien Tsung US$	Lee Cheng Few US$	Chou Tsan Hsiung US$	Nguyen Duc Van US$	Wang Wei-Lin US$	Chow Chi Tong US$	Liao Kuang Sheng US$	Wong Chau Chi, Charles US$	Shao Yi US$	Lin Yi Ting US$	Yang Yi US$	Li Jun US$	Total 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 US$	Hsu Chung US$	Huang Lien Tsung US$	Lee Cheng Few US$	Chou Tsan Hsiung US$	Nguyen Duc Van US$	Wang Wei-Lin US$	Lee Ka Leung, Daniel US$	Tung Tat Chiu, Michael US$	Chow Chi Tong US$	Liao Kuang Sheng US$	Total US$
Fees	—	—	—	—	—	—	—	—	—	—	—	—
Other emoluments												
Salaries and other benefits	146,718	159,588	117,390	23,226	23,226	23,226	23,226	9,161	15,484	14,065	7,742	563,052
Bonus	75,000	75,000	41,250	—	—	—	—	—	—	—	—	191,250
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—	—	—
Share-based 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

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

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 US$	Machinery and equipment US$	Motor vehicles US$	Office and other equipment US$	Construction in progress US$	Total 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

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

The Group has pledged property, plant and equipment having a net book value of US$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 US$	2006 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 US$	2006 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 US$	2006 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

20. TRADE AND OTHER RECEIVABLES *(Continued)*

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.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

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 US$	2006 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 US$	2006 US$
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 US$	2006 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.

25. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

25. SHARE OPTION SCHEME *(Continued)*

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 HK$	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
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.

25. SHARE OPTION SCHEME *(Continued)*

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.

33. RELATED PARTY DISCLOSURES *(Continued)*

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

34. SUMMARISED BALANCE SHEET OF THE COMPANY *(Continued)*

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
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.

Financial Summary

RESULTS

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	US$	US$	US$	US$	**US$**
Turnover	72,724,810	165,732,442	176,900,271	315,536,882	**311,602,789**
Profit (Loss) for the year	6,192,530	25,106,432	14,189,312	12,388,005	**(29,778,061)**

ASSETS AND LIABILITIES

	As at 31 December				
	2003	2004	2005	2006	**2007**
	US$	US$	US$	US$	**US$**
Total assets	91,297,197	169,021,398	248,932,789	339,712,676	**245,481,965**
Total liabilities	(60,960,945)	(111,378,714)	(144,195,533)	(222,179,293)	**(153,522,708)**
Shareholders' funds	30,336,252	57,642,684	104,737,256	117,533,383	**91,959,257**

Notes:

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

2. 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 on pages 34 and 35, respectively, of the consolidated financial statements or from the Company's 2006 annual report.