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

(incorporated in the Cayman Islands with limited liability)

(stock code: 471)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 AND RESUMPTION OF TRADING

The board (the "Board") of directors (the "Directors") of Global Flex Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009** *US$*	**2008** *US$* *(restated)*
Continuing operations			
Revenue	4	4,606,407	37,946,468
Cost of sales		(9,276,969)	(62,135,752)
Gross loss		(4,670,562)	(24,189,284)
Other income	5	728,536	4,591,702
Distribution and selling expenses		(187,803)	(1,397,693)
Administrative expenses		(12,632,391)	(11,302,093)
Impairment loss on trade and other receivables, net		(426,102)	(16,316,331)
Impairment loss on available-for-sale investments		(130,000)	—
Impairment loss on property, plant and equipment		(12,047,166)	—
Loss on disposal on property, plant and equipment		(733,273)	(3,434,886)
Gain on debt restructuring		12,092,387	—
Gain on disposal of subsidiaries		351,051	—
Finance costs	6	(1,410,177)	(4,723,540)

	NOTES	**2009**	**2008**
		US$	*US$*
			(restated)
Loss before taxation		(19,065,500)	(56,772,125)
Income tax credit	7	178,026	433,607
Loss for the year from continuing operations		(18,887,474)	(56,338,518)
Discontinued operations			
Loss for the year from discontinued operations	8	(24,742,687)	(18,755,309)
Loss for the year	9	(43,630,161)	(75,093,827)
Other comprehensive income			
Exchange differences arising on translation		16,159	5,471,512
Total comprehensive expense for the year		(43,614,002)	(69,622,315)
Dividends	10	—	—
Loss per share	11		
From continuing and discontinued operations			
- Basic and diluted		(0.0236)	(0.0520)
From continued operations			
- Basic and diluted		(0.0102)	(0.0390)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	NOTES	**2009** *US$*	**2008** *US$*
NON-CURRENT ASSETS			
Property, plant and equipment		21,603,268	98,919,683
Prepaid lease payments - non-current portion		1,100,588	2,561,246
Deposits paid for acquisition of property, plant and equipment		—	76,525
Available-for-sale investments		3,676,678	26,653
		26,380,534	101,584,107
CURRENT ASSETS			
Inventories		671,800	6,554,916
Trade and other receivables	12	8,269,254	14,773,501
Prepaid lease payments - current portion		456,986	478,213
Bank balances and cash		2,721,621	5,627,793
		12,119,661	27,434,423
CURRENT LIABILITIES			
Trade and other payables	13	13,046,764	54,781,326
Amount due to a related company		199,916	1,524,012
Amount due to a director		154,129	804,665
Tax liabilities		—	177,932
Convertible loan notes		—	2,790,518
Other borrowing - due within one year		585,806	—
Bank borrowings - due within one year		—	39,854,148
		13,986,615	99,932,601
NET CURRENT LIABILITIES		(1,866,954)	(72,498,178)
		24,513,580	29,085,929
CAPITAL AND RESERVES			
Share capital		2,979,580	20,516,129
Share premium and reserves		(11,318,208)	8,569,800
		(8,338,628)	29,085,929
NON-CURRENT LIABILITIES			
Bank borrowings - due after one year		23,566,815	—
Other payables		9,285,393	—
		32,852,208	—
		24,513,580	29,085,929

Notes:

1. **REVIEW OF ANNUAL RESULTS**

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

2. **BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that the Group incurred a loss of US$43,630,161 during the year ended 31 December 2009 and as at that date, the Group's liabilities exceeded its assets by US$8,338,628. In the opinion of the directors of the Company, the Group should be able to continue as a going concern in the coming year taking into consideration various measures to improve its financial position which include, but are not limited to, the following:

(a) On the successful implementation of the Restructuring Plan, the Group deferred repayment of bank borrowings and other payables to December 2012 onward of US$23,566,815 and US$9,285,393, respectively. In addition, trade and other payables amounting to US$14,069,436 were waived as part of the Restructuring Plan, thereby improving the liquidity position of the Group at the end of the reporting period;

(b) On 13 January 2010 and 5 February 2010, the Company issued new shares with aggregate proceeds of HK$38,522,060 (equivalent to US$4,970,588);

(c) On 28 April 2010, the Group entered into a conditional sale and purchase agreement to dispose of the available-for-sale investments issued by a limited liability company incorporated in Singapore for a consideration of US$3,650,000; and

(d) The Group has been pursuing opportunities arising from the PRC's new policy in support of 3-Way Network Convergence (television, telecom and internet) and, in particular, has been focused on developing mobile television and interactive multimedia businesses based on the China Mobile Multimedia Broadcasting ("CMMB") standard. Details are set out in the Company's announcements dated 19 January 2010, 24 March 2010 and 19 April 2010. The directors of the Company anticipate that the Group will generate positive cash flows from this CMMB business. However, as at the date of this report, the Group had not entered into any formal agreements in this regard.

Based on the aforesaid factors, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full 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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and change in the format and content of the consolidated financial statements.

During the year, the Company disposed of flexible printed circuit boards and flexible printed circuit board assembly businesses which were classified as discontinued operations. No consolidated statement of financial position as at 1 January 2008 has been presented as the directors of the Company considered that the restatement of consolidated statement of comprehensive income for presentation of discontinued operations has no impact on the financial position of the Group presented in the consolidated statement of financial position in respect of the end of the previous financial year.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 4), but changes in the basis of measurement of segment profit or loss.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosure)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of consolidated financial instruments which are measured at fair value.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods. In the current year, the Group has not capitalised any borrowing costs in accordance with HKAS 23 (Revised 2007).

In addition, in the current year, the Group has early adopted the amendment to HKFRS 5 as part of Improvements to HKFRSs 2009 (adopted in advance of effective date of 1 January 2010).

Early adoption of amendment to HKFRS 5 as part of Improvements to HKFRSs 2009

The amendment has clarified that HKFRS 5 has specified the disclosure required in respect of assets held for sale and disposal groups classified as discontinued operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for amendment to HKFRS 5[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]

HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 February 2010

5 Effective for annual periods beginning on or after 1 July 2010

6 Effective for annual periods beginning on or after 1 January 2011

7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e., the executive directors) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. The Group's operating segment under HKFRS 8 are therefore identical to the business segments under HKAS 14. The adoption of HKFRS 8 has resulted in change in the basis of measurement of segment profit or loss. The impairment loss on trade and other receivables and write-down of inventories were excluded in segment profit or loss under HKFRS 8 as such information is not reviewed by the chief operating decision maker.

The Group's continuing operations have two segments based on its major products: (i) rigid printed circuit boards; and (ii) rigid printed circuit boards assembly. Each operating segment derives its revenue from the sale of the products. There are managed separately because each product requires different technology and marketing strategies.

The Group involved in manufacture and sale of flexible printed circuit boards and flexible printed circuit boards assembly, which were reported as separate operating segments under HKFRS 8. These operations were discontinued with effect from 27 September 2009.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for continuing operations:

For the year ended 31 December 2009

Continuing operations

	Rigid printed circuit boards	**Rigid printed circuit boards assembly**	**Total**
	US$	*US$*	*US$*
Revenue from external customers	4,535,804	70,603	4,606,407
Cost of sales	(8,259,121)	(421,450)	(8,680,571)
Distribution and selling expenses	(155,825)	(31,978)	(187,803)
Operating segment loss before taxation	(3,879,142)	(382,825)	(4,261,967)

For the year ended 31 December 2008

Continuing operations

	Rigid printed circuit boards *US$*	Rigid printed circuit boards assembly *US$*	Total *US$*
Revenue from external customers	25,339,421	12,607,047	37,946,468
Cost of sales	(33,532,815)	(25,004,710)	(58,537,525)
Distribution and selling expenses	(980,784)	(416,909)	(1,397,693)
Operating segment loss before taxation	(9,174,178)	(12,814,572)	(21,988,750)

Segment loss represents gross loss plus distribution and selling expenses excluding the write-down of inventories. The impairment loss on trade and other receivables, loss on disposal of property, plant and equipment, impairment loss on property, plant arnd equipment, gain on disposal on prepaid-lease payment and write-down of inventories would not included in measure of segment loss. However, the related property, plant and equipment, prepaid lease payments, inventories and trade and other receivables are reported to the Group's chief decision maker and included as part of segment assets and liabilities. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance measurement.

Operating segment loss before taxation are reconciled to loss before taxation and discontinued operations of the Group as follows:

	2009 *US$*	2008 *US$*
Continuing operations		
Operating segment loss before taxation	(4,261,967)	(21,988,750)
Unallocated income:		
Interest income	6,467	206,968
Other income	722,069	4,384,734
Gain on debt restructuring	12,092,387	—
Gain on disposal of subsidiaries	351,051	—
Unallocated expenses:		
Interest expenses	(1,410,177)	(4,723,540)
Write-down of inventories	(596,398)	(3,598,227)
Impairment loss on trade and other receivables, net	(426,102)	(16,316,331)
Impairment loss on available-for-sales investments	(130,000)	—
Impairment loss on property, plant and equipment	(12,047,166)	(—)
Loss on disposal on property, plant and equipment	(733,273)	(3,434,886)
Administrative expenses	(12,632,391)	(11,302,093)
Loss before taxation and discontinued operations	(19,065,500)	(56,772,125)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

Segment assets

	2009 *US$*	2008 *US$*
Continuing operations		
Rigid printed circuit boards	32,071,414	32,861,790
Rigid printed circuit boards assembly	22,098	4,660,633
Assets relating to discontinued operations	—	85,688,984
Total segment assets	32,093,512	123,211,407
Unallocated assets:		
Available-for-sale investments	3,676,678	26,653
Other receivables	8,384	152,677
Bank balances and cash	2,721,621	5,627,793
Consolidated assets	38,500,195	129,018,530

Segment liabilities

	2009 *US$*	2008 *US$*
Continuing operations		
Rigid printed circuit boards	13,873,172	11,082,974
Rigid printed circuit boards assembly	440,032	2,140,884
Liabilities relating to discontinued operations (Note)	6,950,179	41,249,402
Total segment liabilities	21,263,383	54,473,260
Unallocated liabilities:		
Other payables	1,068,774	308,066
Amount due to a related company	199,916	1,524,012
Amount due to a director	154,129	804,665
Tax liabilities	—	177,932
Convertible loan notes	—	2,790,518
Other borrowings	585,806	—
Bank borrowings	23,566,815	39,854,148
Consolidated liabilities	46,838,823	99,932,601

Note: The amount represented the trade and other payable in relation to flexible printed circuit boards and flexible printed circuit boards assembly businesses which discontinued during the year. According to the Restructuring Plan, the amounts will be repaid on or before 20 December 2012.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than available-for-sale investments, unallocated other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than unallocated other payables, amount due to a related company, amount due to a director, tax liabilities, convertible loan notes and bank and other borrowings.

Other segment information

For the year ended 31 December 2009

Continuing operations

	Rigid printed circuit boards *US$*	Rigid printed circuit boards assembly *US$*	Total *US$*
Amounts included in the measure of segment loss or segment assets			
Additions to non-current assets (Note)	27,494	—	27,494
Depreciation of property, plant and equipment and release of prepaid lease payments	2,941,217	507,084	3,448,301
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss			
Impairment losses on (reversal of) trade and other receivables	446,865	(20,763)	426,102
Loss on disposal of property, plant and Equipment	630,728	102,545	733,273
Write-down of inventories	596,398	—	596,398

For the year ended 31 December 2008

Continuing operations

	Rigid printed circuit boards *US$*	Rigid printed circuit boards assembly *US$*	Total *US$*
Amounts included in the measure of segment loss or segment assets			
Additions to non-current assets (Note)	—	663,590	663,590
Depreciation of property, plant and equipment and release of prepaid lease payments	4,319,005	2,264,815	6,583,820
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss			
Impairment losses on trade and other receivables	15,206,011	1,110,320	16,316,331
Loss on disposal of property, plant and equipment	351,718	3,083,168	3,434,886
Gain on disposal of prepaid lease payments	—	(18,734)	(18,734)
Write-down of inventories	149,193	3,449,034	3,598,227

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

Geographical information

The Group's continuing operations are mainly located in the PRC.

The Group's revenue from continuing operations from external customers by geographical location of customers are detailed below:

	2009 *US$*	2008 *US$*
The PRC	3,448,341	18,849,817
United States of America	809,143	4,611,702
Singapore	73,854	5,813,223
Germany	—	457,132
Taiwan	—	5,909,852
Others	275,069	2,304,742
	4,606,407	37,946,468

All non-current assets of the Group excluding financial instruments are located in the PRC.

Information about major customers

For the year ended 31 December 2009, there were two customers who accounted for over 10% of total revenue with revenue of US$2,929,218 and US$711,870 related to rigid printed circuit boards segment respectively.

For the year ended 31 December 2008, there were two customers who accounted for over 10% of total revenue with revenue of US$8,696,184 and US$7,099,777 and related to rigid printed circuit boards segment respectively.

5. OTHER INCOME

	2009	2008
	US$	*US$*
Continuing operations		
Compensation from a customer for cancellation of orders	356,492	2,223,145
Gain on disposal of prepaid lease payments	—	18,734
Interest income	6,467	206,968
Sales of scrap materials	183,460	1,415,010
Others	182,117	727,845
	728,536	4,591,702

6. FINANCE COSTS

	2009	2008
	US$	*US$*
Continuing operations		
Interest on bank borrowings wholly repayable within five years	1,066,394	4,696,889
Interest on other payables wholly repayable with five years	8,612	—
Interest on amount due to a director (Note)	200,119	—
Effective interest expense on convertible loan notes	135,052	26,651
	1,410,177	4,723,540

Note: As at 31 December 2008, the amount due to a director was non-interest bearing. During the year, the Group paid interest of US$200,119 to a director in respect of the amount advanced by him for the year ended 31 December 2008 upon the approval of the board of directors.

7. INCOME TAX CREDIT

	2009	2008
	US$	*US$*
Continuing operations		
The charge comprises:		
PRC Enterprise Income Tax (“EIT”)		
Current year	—	—
Overprovision in prior year	(178,026)	(433,607)
	(178,026)	(433,607)

On 26 June 2007, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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.

Under the law of the PRC on Enterprise Income Tax (the “EIT law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% from 1 January 2008 onward.

Pursuant to the relevant laws and regulations in the PRC, Global Flex (Suzhou) Company Limited (“Global Flex (Suzhou)”), the PRC subsidiary of the Company, is entitled to the exemptions from EIT for two years starting from its first profit-making year and to a 50% relief from the EIT for the following three years (“Tax Holidays”).

The first profit-making year of Global Flex (Suzhou) is the year ended 31 December 2002. In December 2005, Global Flex (Suzhou) re-invested and increased its capital by US$16,000,000 to US$48,000,000. As a result, Global Flex (Suzhou) is entitled to another Tax Holidays on a capital proportionate basis from the date of re-investment subject to the approval by the relevant tax authority. Upon approval obtained from relevant tax authority, one-third of the taxable profit of Global Flex (Suzhou) is subject to the Tax Holidays starting from 2005. The tax rate of Global Flex (Suzhou) is approximately 20.83% for both year 2008 and 2009.

The EIT Law imposes withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their shareholders. No deferred tax liability has been recognised in respect of such withholding tax due to absence of undistributed profits for both years.

The tax credit for the year can be reconciled to the loss before taxation as follows:

	2009	2008
	US$	*US$*
Loss before taxation from continuing operations	(19,065,500)	(56,772,125)
Tax at the domestic income tax rate of 25%	(4,766,375)	(14,193,031)
Tax effect of income not taxable for tax purpose	(3,024,713)	(487)
Tax effect of expenses not deductible for tax purpose	2,229,725	1,299,431
Tax effect of tax losses not recognised	2,293,947	7,915,448
Tax effect of deductible temporary differences not recognised	3,267,416	4,978,639
Overprovision in respect of prior year	(178,026)	(433,607)
Tax credit for the year relating to continuing operations	(178,026)	(433,607)

At 31 December 2009, the Group has unused tax losses of approximately US$41,781,000 (2008: US$32,605,000) and deductible temporary differences in relation to impairment loss on trade and other receivable, impairment loss on property, plant and equipment and write-down on inventories of approximately US$53,522,000 (2008: US$40,452,000) 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 Group. Included in unused tax losses as at 31 December 2009 is an amount of approximately US$32,605,000 will expire in year 2013 and US$9,176,000 will expire in year 2014 (2008: US$32,605,000 would expire in year 2013).

8. DISCONTINUED OPERATIONS

On 30 July 2009, the Group entered into a share sale agreement to dispose of the entire interest in a wholly-owned subsidiary, Global Flex (Suzhou) Plant II Co. Ltd. ("Global Flex (Suzhou) Plant II") incorporated in the PRC (the "Share Sale Agreement"), and an asset sale agreement to dispose of certain property, plant and equipment of Global Flex (Suzhou) (the "Asset Sale Agreement"). The transactions contemplated under the Share Sale Agreement and the Asset Sale Agreement are entered into by the Group with the same counter party on the same date. Both disposals were completed on 27 September 2009. After these disposals, the Group discontinued the production of flexible printed circuit boards and flexible printed circuit boards assembly ("Discontinued Business").

The net loss for the year from the discontinued operations is analysed as follows:

	2009	2008
	US$	*US$*
Loss of the discontinued operations for the year	(12,555,972)	(18,755,309)
Loss on disposal of property, plant and equipment	(13,601,822)	—
Gain on disposal of Global Flex (Suzhou) Plant II	1,415,107	—
	(24,742,687)	(18,755,309)

The results of the discontinued operations for the period from 1 January 2009 to 27 September 2009, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.1.2009 to 27.9.2009	**1.1.2008 to 31.12.2008**
	US$	*US$*
Revenue	3,137,572	81,390,224
Cost of sales	(13,553,577)	(85,971,588)
Bank interest income	—	1,453
Impairment loss on trade and other receivables	(622,030)	(10,387,063)
Distribution and selling expenses	(395,291)	(1,956,649)
Administrative expenses	(1,122,646)	(1,831,686)
Loss for the period/year	(12,555,972)	(18,755,309)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for discontinued operations:

From 1 January 2009 to 27 September 2009

Discontinued operations

	Flexible printed circuit boards	**Flexible printed circuit boards assembly**	**Total**
	US$	*US$*	*US$*
Revenue from external customers	234,729	2,902,843	3,137,572
Cost of sales	(8,286,873)	(3,771,766)	(12,058,639)
Distribution and selling expenses	(227,847)	(167,444)	(395,291)
Operating segment loss before taxation	(8,279,991)	(1,036,367)	(9,316,358)

For the year ended 31 December 2008

Discontinued operations

	Flexible printed circuit boards	**Flexible printed circuit boards assembly**	**Total**
	US$	*US$*	*US$*
Revenue from external customers	14,613,210	66,777,014	81,390,224
Cost of sales	(20,100,596)	(65,870,992)	(85,971,588)
Distribution and selling expenses	(529,992)	(1,426,657)	(1,956,649)
Operating segment loss before taxation	(6,017,378)	(520,635)	(6,538,013)

Segment loss represents gross loss plus distribution and selling expenses excluding the write-down of inventories. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance measurement.

Operating segment loss before taxation are reconciled to loss before taxation for discontinued operations as follows:

	1.1.2009 to 27.9.2009 *US$*	**1.1.2008 to 31.12.2008** *US$*
Discontinued operations		
Operating segment loss before taxation	(9,316,358)	(6,538,013)
Unallocated income:		
Interest income	—	1,453
Unallocated expenses:		
Write-down of inventories	(1,494,938)	—
Impairment loss on trade and other receivables	(622,030)	(10,387,063)
Administrative expenses	(1,122,646)	(1,831,686)
Loss for the period/year for discountinued operations	(12,555,972)	(18,755,309)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment for discontinued operations:

Segment assets

	2008 *US$*
Flexible printed circuit boards	19,767,031
Flexible printed circuit boards assembly	65,921,953
Total segment assets	85,688,984

Segment liabilities

	2009 *US$*	**2008** *US$*
Flexible printed circuit boards	3,741,449	18,837,619
Flexible printed circuit boards assembly	3,208,730	22,411,783
Total segment liabilities	6,950,179	41,249,402

Other segment information

From 1 January 2009 to 27 September 2009

Discontinued operations

	Flexible printed circuit boards *US$*	**Flexible printed circuit boards assembly** *US$*	**Total** *US$*
Amounts included in the measure of segment loss or segment assets			
Additions to non-current assets (Note)	—	164,200	164,200
Depreciation of property, plant and equipment and release of prepaid lease payments	—	5,815,690	5,815,690
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss			
Impairment losses on trade and other receivables	—	622,030	622,030
Write-down of inventories	—	1,494,938	1,494,938

For the year ended 31 December 2008

Discontinued operations

	Flexible printed circuit boards	**Flexible printed circuit boards assembly**	**Total**
	US$	*US$*	*US$*
Amounts included in the measure of segment loss or segment assets			
Additions to non-current assets (Note)	—	13,290,111	13,290,111
Depreciation of property, plant and equipment and release of prepaid lease payments	2,731,556	2,947,235	5,678,791
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss			
Impairment losses on trade and other receivables	7,490,243	2,896,820	10,387,063

Note: Non-current assets excluded those relating to continuing operations and financial instruments.

Geographical information

The Group's discontinued operations are mainly located in the PRC.

The Group's revenue from discontinued operations from external customers by geographical location of customers is detailed below:

	1.1.2009 to 27.9.2009	**1.1.2008 to 31.12.2008**
	US$	*US$*
The PRC	2,021,582	56,686,652
Singapore	236,213	—
Taiwan	—	17,772,572
Others	879,777	6,931,000
	3,137,572	81,390,224

All non-current assets of the Group excluding financial instruments are located in the PRC.

Information about major customers

For the period ended 31 December 2009, there were three customers who accounted for over 10% of total revenue with revenue of US$1,559,337, US$615,230 and US$450,038 and related to flexible printed circuit boards and flexible printed circuit boards assembly segments.

For the year ended 31 December 2008, there were two customers who accounted for over 10% of total revenue with revenue of US$25,931,124 and US$22,956,611 related to flexible printed circuit boards and flexible printed circuit boards assembly segments.

Loss for the period/year from discontinued operations including the following:

Staff costs, including directors' remuneration		
- Salaries and allowances	1,017,975	8,211,017
- Retirement benefit scheme contributions	105,293	371,623
Total staff costs	1,123,268	8,582,640
Auditor's remuneration	—	—
Release of prepaid lease payments	16,247	195,925
Redundancy costs	454,466	809,068
Cost of inventories recognised as an expense (Note)	13,553,377	85,971,589
Depreciation of property, plant and equipment	5,799,443	5,482,866
Impairment loss on trade and other receivables	622,030	10,387,063
Loss on disposal of property, plant and equipment	13,601,822	—

Note: Included in cost of sales is a write-down of inventories amounting to US$1,494,938 (2008: nil)

During the period, the discontinued operations contributed US$3,357,789 (2008: US$23,618,366) to the Group's net operating cash flows and paid US$164,200 (2008: US$10,652,291) in respect of investing activities.

Comparative information in consolidated statement of comprehensive income has been restated to represent separately the results of the flexible printed circuit boards and flexible printed circuit boards assembly as discontinued operations.

9. LOSS FOR THE YEAR

	2009	2008
	US$	*US$*
Loss for the year has been arrived at after charging:		
Continuing operations		
Staff costs, including directors' remuneration		
- Salaries and allowances	2,127,058	8,871,487
- Retirement benefit scheme contributions	112,182	381,273
- Share-based payments	1,302,773	678,223
Total staff costs	3,542,013	9,930,983
Auditor's remuneration	148,387	187,097
Release of prepaid lease payments	456,798	274,462
Redundancy costs	134,672	810,920
Share-based payments expense to consultants	1,961,119	—
Cost of inventories recognised as an expense (Note)	9,276,969	62,135,752
Depreciation of property, plant and equipment	2,991,503	6,309,358
Net exchange loss	56,235	899,593

Note: Included in cost of sales is a write-down of inventories amounting to US$596,398 (2008: US$3,598,227).

10. DIVIDENDS

No dividend was paid, decreased or proposed during both year, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share for the year is based on the following data:

	2009	2008
	US$	*US$*
Loss for the purposes of basic and diluted loss per share	(43,630,161)	(75,093,827)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,850,085,205	1,444,016,393

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss per share are calculated as follows:

	2009	2008
	US$	*US$*
Loss for the year attributable to owners of the Company	(43,630,161)	(75,093,827)
Less: loss for the year from discontinued operations	24,742,687	18,755,309
Loss for the purposes of basic and diluted loss per share from continuing operations	(18,887,474)	(56,338,518)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic and diluted loss per share for the discontinued operation is US$0.0134 per share (2008: US$0.0130), based on the loss for the year from the discontinued operations of US$24,742,687 (2008: US$18,755,309) and the denominators detailed above for both basic and diluted loss per share.

No diluted loss per share has been presented because the exercise price of the Company's share options was higher than the average market price for shares for both 2009 and 2008 and the conversion of convertible loan notes in year 2008 and 2009 would result in decrease in loss per share.

12. TRADE AND OTHER RECEIVABLES

	2009	2008
	US$	*US$*
Trade receivables	35,851,308	44,060,599
Less: Accumulated impairment	(32,148,915)	(34,336,067)
	3,702,393	9,724,532
Other receivables	7,990,414	7,845,716
Less: Accumulated impairment	(3,423,553)	(2,796,747)
	4,566,861	5,048,969
Total trade and other receivables	8,269,254	14,773,501

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

The aged analysis of the trade receivables, presented based on invoice date, net of allowance for doubtful debts as at the end of the reporting period are as follows:

	2009	2008
	US$	*US$*
Trade receivables:		
0 - 30 days	583,281	2,538,902
31 - 60 days	2,620,957	3,631,788
61 - 90 days	473,081	3,164,949
91 - 120 days	—	354,604
121 - 150 days	—	196
Over 150 days	25,074	34,093
	3,702,393	9,724,532

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. 10% (2008: 22%) of the trade receivables before accumulated impairment 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$25,074 (2008: US$185,603) which are past due at the end of the reporting period 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

	2009	2008
	US$	*US$*
61 - 90 days	—	71,766
91 - 120 days	—	79,548
121 - 150 days	—	196
151 - 365 days	25,074	34,093
	25,074	185,603

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

Movement in the impairment loss on trade receivables

	2009 *US$*	2008 *US$*
Balance at beginning of the year	34,336,067	9,656,240
Exchange adjustment	24,975	773,180
Amounts written off as uncollectible	(49,152)	—
Disposal of subsidiaries	(1,899,615)	—
Impairment loss recognised on trade receivables	416,165	23,906,647
Reversal of impairment loss	(679,525)	—
Balance at end of the year	32,148,915	34,336,067

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 end of the reporting period. 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$32,148,915 (2008: US$34,336,067). The Group does not hold any collateral over these balances.

Movement in the impairment loss on other receivables

	2009 *US$*	2008 *US$*
Balance at beginning of the year	2,796,747	—
Exchange realignment	2,515	—
Disposal of subsidiaries	(687,201)	—
Impairment loss recognised on other receivables	1,311,492	2,796,747
Balance at end of the year	3,423,553	2,796,747

The impairment loss recognised on other receivables because the counterparties have financial difficulties.

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

	2009 *US$*	2008 *US$*
United States dollar	3,422,042	9,910,846

13. TRADE AND OTHER PAYABLES

The aged analysis of the trade payables at the end of the reporting period are as follows:

	2009	**2008**
	US$	*US$*
Trade payables:		
0 - 90 days	3,331,265	5,085,382
91 - 120 days	42,759	3,228,152
121 - 180 days	—	6,140,602
181 - 365 days	24,783	10,213,272
Over 365 days	2,897,618	10,828,900
	6,296,425	35,496,308
Other payables	6,750,339	19,285,018
Total trade and other payables	13,046,764	54,781,326

The average credit period on purchases of goods is 30 to 60 days (2008: 150 days). The Group is negotiating with the Group's suppliers to reschedule the repayments.

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

	2009	**2008**
	US$	*US$*
United States dollar	8,375,556	22,752,612

Other payables of US$9,285,393 (2008: nil) as at 31 December 2009 was classified as non-current liabilities as the maturity dates of the related payables are more than one year pursuant to the debt restructuring. The amounts bears fixed interest rate of 5% per annum.

Summary of the Independent Auditor's Report on the Group's Consolidated Financial Statements

The Group's auditor, Messrs Deloitte Touche Tohmatsu, has made qualification on the report on the Group's consolidated financial statements as at 31 December 2008. Any adjustments found to be necessary would affect the Group's net assets as at 31 December 2008 and the Group's loss for the two years ended 31 December 2009 and 2008. Details of the qualification as extracted from the independent auditor's report are as follows:

Basis for qualified opinion

(a) **Impairment of property, plant and equipment**

Included in the consolidated statement of financial position as at 31 December 2008 was property, plant and equipment with carrying amounts of

US$98,919,683. As set out in the consolidated statement of comprehensive income, the Group incurred a loss of US$75,093,827 for the year ended 31 December 2008 and, these factors, together with the fact that the Group's production activities were suspended during that year, in our opinion, constituted indicators of impairment of the Group's property, plant and equipment. However, no impairment loss was recognised for the year ended 31 December 2008. We were unable to perform satisfactory audit procedures to satisfy ourselves that the recoverable amounts of the property, plant and equipment exceeded its carrying amounts as at 31 December 2008 and whether any impairment loss should have been recognised during the year ended 31 December 2008 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" issued by the HKICPA. This caused us to qualify our audit opinion on the consolidated financial statements in respect of the year ended 31 December 2008. Furthermore, during the year ended 31 December 2009, the Group recognised an impairment loss on property, plant and equipment of US$12,047,166 and disposed of certain property, plant and equipment used for the production of flexible printed circuit boards and flexible printed circuit boards assembly (the "Transaction") at a loss of US$13,601,822 as detailed in notes 12 and 33 to the consolidated financial statements. However, due to the limitation described above, we were unable to perform satisfactory audit procedures to determine whether the loss arising from the Transaction and the impairment loss on property, plant and equipment recognised during the year ended 31 December 2009 were free from material misstatements. Any adjustments found to be necessary would affect the Group's net assets as at 31 December 2008 and the Group's loss for the two years ended 31 December 2009 and 2008.

(b) **Fair value and carrying amounts on convertible loan notes**

Included in the consolidated statement of financial position as at 31 December 2008 were the liability component of convertible loan notes with carrying amount of US$2,736,489 and conversion option derivative with carrying amount of US$54,029 respectively. As detailed in note 25 to the consolidated financial statements, the convertible loan notes were fully converted into ordinary shares of the Company during the year ended 31 December 2009. The fair values of these components were determined on initial recognition by the directors of the Company. In addition, the carrying amounts of the conversion option derivative as at 31 December 2008 and the relevant dates of conversion of the convertible loan notes were also determined by the directors of the Company. However, we were unable to obtain sufficient evidence to satisfy ourselves as to whether the valuation methodology and the assumptions adopted by the directors of the Company in these valuations of the liability component of convertible loan notes and conversion option derivative on initial recognition and the valuation of the conversion option derivative as at 31 December 2008 and at the relevant dates of conversion were appropriate. There were no other alternative audit procedures that we could carry out to satisfy ourselves as to whether the liability component of convertible loan notes and the conversion option derivative are fairly stated on initial recognition and as at 31 December 2008 and at the relevant dates of conversion of the convertible loan notes in accordance with the requirements of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA. This caused us to qualify our audit opinion on the consolidated financial statements in respect of the year ended 31 December 2008. Any adjustments found to be necessary may have an effect on the Group's net assets as at 31 December 2008, the Group's share premium as at 31 December 2009 and the Group's loss for the two years ended 31 December 2009 and 2008, and the related disclosures thereof in the consolidated financial statements.

Qualified opinion arising from limitation of audit scope

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 2009 and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient information concerning the matters as described in the basis of qualified opinion paragraphs, the consolidated financial statements give a true and fair veiw 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.

Emphasis of matter

Without further qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of US$43,630,161 during the year ended 31 December 2009 and as at that date, the Group's liabilities exceeded its assets by US$8,338,628. As further detailed in note 2 to the consolidated financial statements, the Group has been implementing measures to improve its financial position, certain of which have not yet been completed. The Group's ability to continue as a going concern is dependent on the successful implementation of these measures. These conditions therefore indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 December 2009, the Group recorded loss for the year of approximately US$43.6 million as compared to loss for the year approximately US$75.1 million for the year ended 31 December 2008, representing a decrease of approximately 41.9%. Loss per share was approximately US2.4 cents (2008: approximately US5.2 cents) and net liabilities per share of the Company was approximately US0.4 cents (2008: net assets per share approximately US2.0 cents).

Turnover and gross loss margin

During the year, the turnover of the Group decreased by approximately US$33.3 million (87.9%) and the overall gross loss margin increased from approximately 63.9% for the year ended 31 December 2008 to approximately 102.2% for the year ended 31 December 2009. The decrease in turnover and decline in gross loss margin of the Group were mainly due to suspension of certain level of operation in a major subsidiary during the year and discontinuation of manufacturing, assembling and trading of FPC solutions.

Operating expenses

Distribution costs for the year ended 31 December 2009 significantly decreased by 85.7% to approximately US$0.2 million, as compared to that of approximately US$1.4 million for the year ended 31 December 2008. The significant decrease in distribution costs is mainly due to certain operations of the Group discontinued during the year.

The administrative expenses for the year ended 31 December 2009 increased by approximately 11.5% to approximately US$12.6 million as compared to that of approximately US$11.3 million for the year ended 31 December 2008.

Impairment loss on trade and other receivables for the year ended 31 December 2009 significantly decreased by approximately 97.5% to approximately US$0.4 million, as compared to that of approximately US$16.3 million for the year ended 31 December 2008. The Group has tighten the control to receive the order from its customers, therefore most of the current trade receivables were settled within their credit period. Impairment loss was made on certain trade and other receivables which are past due and their recoverability are in doubt.

Finance costs of the Group for the year ended 31 December 2009 significantly decreased by 70.2% to approximately US$1.4 million, as compared to that of approximately US$4.7 million for the year ended 31 December 2008. The significant decrease in finance costs is mainly due to significant repayment of bank loans during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had shareholders' deficits of approximately US$8.3 million as at 31 December 2009 and shareholders' funds approximately US$29.1 million as at 31 December 2008. Current assets amounted to approximately US$12.1 million mainly comprising bank balances and cash of approximately US$2.7 million, inventories of approximately US$0.7 million and trade and other receivables of approximately US$8.3 million. Current liabilities amounted to approximately US$14.0 million mainly comprising trade and other payables of approximately US$13.0 million.

As at 31 December 2009, the Group's current ratio is 0.9 (2008: 0.3) and the gearing ratio (a ratio of total loans to total assets) is 86.8% (2008: 33.0%).

As at 31 December 2009, the Group's bank loan balance is approximately US$23.6 million, all loans are fixed rate borrowings which carried interest rate at 4.78% per annum.

During the year, convertible loan notes with principal amounts of approximately HK$21.0 million (equivalent to approximately US$2.7 million) were converted into 719,175,000 shares ("Share(s)") of the Company of HK$0.01 each in the share capital of the Company at the conversion prices of HK$0.0292 per Share (after adjustment to conversion price from HK$0.10 per Share to HK$0.0292 per Share).

After the completion of the Restructuring, other payables of the Group amounted to approximately US$9.3 million were deferred to three years and bank borrowings of the Group with five-years terms amounted to approximately US$23.6 million have been negotiated with the banks. Both other payables and bank borrowings of the Group were classified under the non-current liabilities in the statement of consolidated financial position on page 3.

FOREIGN CURRENCY EXCHANGE RISK

Most of the Group's assets, liabilities and transactions are denominated in US dollar and RMB. The management believes that foreign exchange risk does not affect the Group since RMB has generally appreciated comparing with US dollar and its sales and purchases in RMB substantially hedged the risks of transactions in foreign currency. The management will continue to monitor any further changes in RMB exchange rate and would proactively take measures to minimise any adverse impact by the fluctuations of exchange rates on the Group. The Group did not make any other hedging arrangement in the two years ended 31 December 2009.

SEGMENTAL INFORMATION

As at 31 December 2009, detail segmental information of the Group is set out in note 4 to the annual results announcement.

EMPLOYEE BENEFITS

For the year ended 31 December 2009, average number of employees of the Group was approximately 900 (2008: approximately 4,000). For the year ended 31 December 2009, the Group's staff costs (including Directors' fees and emoluments) amounted to approximately US$3.4 million (2008: US$9.5 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 107,333,333 share options to the Directors and employees of the Group 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$0.1 million (2008: US$0.4 million) to the scheme.

BUSINESS/OPERATION REVIEW

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

On 9 March 2009, Global Flex (Suzhou), a major subsidiary of the Company, has been granted approval from the Wuzhong Court ("Court") in Suzhou City, Jiansu Province of the PRC to undertake restructuring for the purpose of dealing with and settling its indebtedness. During the year, Global Flex (Suzhou) has been undergoing the above restructuring and it has massively cut costs, reduced debts, streamlined operations and sought new investment opportunities.

On 18 August 2009, Global Flex (Suzhou) has submitted a final restructuring plan (the "Plan") to the Court for the purpose of settling all or part of the liabilities of Global Flex (Suzhou) to its creditors. On 8 September 2009, the Plan was approved by the creditors of Global Flex (Suzhou) at the creditors' meeting. As a result, Global Flex (Suzhou) has:

(i) repaid a significant portion of debts to its creditors;

(ii) sought waiver on a significant portion of the remaining debts with its unsecured creditors;

(iii) deferred repayment of all remaining debts to three years after the date of approval of the Plan by its creditors;

(iv) negotiated a five years term loans with the banks with repayment of the principal sum on the first day of the sixth year after the date of approval of the Plan by its creditors and the banks will maintain the original pledges of assets plus other assets of Global Flex (Suzhou) not previously pledged; and

(v) resumed normal business operations as a PCB producer in cooperation with the Group's strategic partner.

In the meantime, the Group has disposed certain property, plant and equipment in relation to the business of FPC solutions and discontinued these operations. After the completion of the aforesaid restructuring and disposal, the Group only engaged in manufacturing, trading and assembling of PCB.

PROSPECTS

The Company has been pursuing opportunities arising from China's new policy in support of 3-Way Network Convergence (television, telecom and internet) and, in particular, has been focused on developing mobile television and interactive multimedia businesses based on the China Mobile Multimedia Broadcasting ("CMMB") standard. The Company's goal is to develop into a mobile TV multimedia company, providing CMMB-based services, solutions, and innovations in China and in other markets around the world.

CMMB is China home grown mobile TV technology standard that provides terrestrial and satellite broadcast transmission to mobile devices, (e.g. smart-phones, car-mount TVs, GPS, PC TVs, etc.) with accompanying interactive multi-media services. The standard's principal founder is Dr. Hui Liu, the vice-chairman of the Company. The China Broadcasting Corporation, under the State Administration of Radio, Film and Television ("SARFT") commenced commercial CMMB services in 2010 and already operates the world's largest mobile television broadcasting network covering over 300 cities with more than 500 million inhabitants. CMMB is a key driver for China's 3-Way Network Convergence. China Mobile, the world's largest mobile networks operator, is preparing to roll-out its convergence TD-CMMB services, which packages TD-SDMA 3G voice, data and internet services with CMMB Mobile TV. The service is expected to commence in 2010 and with projected subscribers reaching well over 100 million within a few years. The Company will endeavour in China's CMMB and 3-Way Network Convergence developments, and it anticipates to have much closer working relationship with relevant government departments and major service operators there.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 63.6% and 98.1% of the Group's turnover respectively. Aggregate purchases attributable to the Group's five largest suppliers were less than 75% of total purchases. The largest supplier of the Group accounted for approximately 65.3% of the Group's total purchases.

At no time during the year did a Director, an associate of a Director or any shareholders of the Company (which to the knowledge of the Directors had more than 5% interests in the Company) had 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.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

In light of various amendments to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), particularly Appendix 14 thereto, which became effective on 1 January 2009, on 24 April 2009, the Company adopted the Code Provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules with retrospective effect from 1 January 2009. 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.

During the year under review, the Company has applied the principles and complied with all the applicable Code Provisions of the CG Code throughout the year ended 31 December 2009 except that the Company has been deviated from the Code Provision A.2.1 of the CG Code, as the roles of Chairman and chief executive officer of the Company were not separate. With effect from 19 May 2008, Mr. Wong Chau Chi ("Mr. Wong") had been re-designated as the Chairman and Mr. Wong also remains as the chief executive officer of the Company. According to the Code Provision A.2.1 of the CG Code, the roles of a chairman and a chief executive officer should be separate and should not be performed by the same individual. Given Mr. Wong has had extensive experience in the business of the Group and has performed satisfactorily since his joining of the Company in 2007, particularly in soliciting for possible new business opportunities and deducing the overall strategic plan for the future development of the Company, the Board considers that it would be beneficial to the Group if Mr. Wong is also in charge of overseeing the Company's operations as the Chairman. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will regularly review the effectiveness of this arrangement.

In addition, under Code Provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders of the Company at the first general meeting after their appointment. Mr. Yu Kam Kee Lawrence ("Mr. Yu") was appointed as an independent non-executive Director with effect from 30 September 2008. The first general meeting after Mr. Yu's appointment was the extraordinary general meeting of the Company held on 19 January 2009. According to the above Code Provision A.4.2, Mr. Yu should have been subject to election by shareholders of the Company at the said extraordinary general meeting. However, due to inadvertent oversight, Mr. Yu was re-elected at the annual general meeting of the Company held on 30 June 2009, being the third general meeting of the Company after his appointment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions 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. In light of various amendments to the Listing Rules, particularly the Model Code, on 24 April 2009, the Company adopted a revised code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards under the revised Model Code. All the Directors confirmed, following specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code and the code of conduct throughout the year ended 31 December 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Directors, namely Messrs. Wang Wei-Lin, Yu Kam Kee Lawrence and Mr. Shan Li, an annual confirmation of their independence pursuant to the Rule 3.13 of the Listing Rules and the Board considers all independent non-executive Directors are independent.

During the year up to the conclusion of the annual general meeting of the Company held on 30 June 2009, the Company has complied with the provisions of 3.10(1) and 3.10(2) of the Listing Rules that sufficient number of independent non-executive Directors have been appointed and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. However, with effect from the conclusion of the annual general meeting of the Company held on 30 June 2009, Mr. Chow Chi Tong ("Mr. Chow") has retired as independent non-executive Director. Mr. Chow has also retired as the chairman of the audit committee ("Audit Committee") of the Company with effect from the same date. Following the retirement of Mr. Chow, the Company only has two independent non-executive Directors, namely Mr. Wang Wei-Lin and Mr. Yu Kam Kee Lawrence, and does not meet the requirements under Rule 3.10(1) and Rule 3.10(2) of the Listing Rules. The Company has already identified a suitable candidate as a new independent non-executive Director, who has appropriate professional qualifications or accounting or related financial management expertise. As the candidate's qualifications, experiences and background were still under review by the Board even after 30 September 2009, the Company does not meet the requirement under Rule 3.11 of the Listing Rules. On 2 March 2010, the Board has re-designated Mr. Shan Li from non-executive Director to an independent non-executive Director and he was also appointed as the chairman of the Audit Committee with effect from the same date according to the provision of Rule 3.21 of the Listing Rules.

AUDIT COMMITTEE

An Audit Committee was established by the Company on 5 July 2005 with written terms of reference to review and supervise the Group's financial reporting process and internal controls. In light of various amendments to the Listing Rules, particularly Appendix 14 thereto, which became effective on 1 January 2009, on 24 April 2009, the Company adopted a revised written terms of reference of the Audit Committee with reference to the corresponding changes made to the code provisions of the CG Code on 1 April 2009 with retrospective effect from 1 January 2009. The Audit Committee currently comprises Mr. Yu Kam Kee Lawrence and Mr. Shan Li, being independent non-executive Directors and Mr. Chou Tsan-Hsiung, a non-executive Director. Currently, Mr. Shan Li is the chairman of the Audit Committee.

With effect from the conclusion of the annual general meeting of the Company held on 30 June 2009 following the retirement of Mr. Chow Chi Tong, the Audit Committee only has two members, namely Mr. Chou Tsan-Hsiung, a non-executive Director and Mr. Yu Kam Kee Lawrence, an independent non-executive Director, and does not meet the requirements under Rule 3.21 of the Listing Rules. As at 31 December 2009, given the only Audit Committee member who is also an independent non-executive Director does not have the requisite qualifications under Rule 3.10(2) of the Listing Rules, the Audit Committee does not have a chairman for the time being as required under Rule 3.21 of the Listing Rules. The Company has already identified a suitable candidate as a new chairman of the Audit Committee. As the candidate's qualifications, experiences and background were still under review by the Board even after 30 September 2009, the Company does not meet the requirement under Rule 3.23 of the Listing Rules. On 2 March 2010, Mr. Shan Li was appointed as the chairman of the Audit Committee according to the provision of Rule 3.21 of the Listing Rules.

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. Yu Kam Kee Lawrence and Mr. Shan Li and one non-executive Director, Mr. Chou Tsan-Hsiung. Currently, Mr. Wang Wei-Lin is the chairman of the Remuneration Committee.

RESUMPTION OF TRADING

As the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 29 April 2010 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 May 2010.

By Order of the Board
Global Flex Holdings Limited
Wong Chau Chi
Chairman

Hong Kong, 30 April 2010

As at the date of this announcement, the Board comprises one executive Director, namely Mr. WONG Chau Chi; four non-executive Directors, namely Mr. CHOU Tsan-Hsiung, Mr. YANG Yi, Dr. LI Jun and Dr. Hui LIU, and three independent non-executive Directors, namely Mr. WANG Wei-Lin, Mr. YU Kam Kee Lawrence BBS, MBE, JP and Mr. Shan LI.