

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 2005.

2005 was the first year for the internationalisation of the Group and its listing on the Main Board of The Stock Exchange of Hong Kong Limited. 2005 was also a year in which the Group became more mature in operation with an even greater advancement in production technology of its rigid printed circuit boards ("PCB") and flexible printed circuit boards ("FPC") solutions.

BUSINESS REVIEW

During the financial year of 2005, the Group recorded a total turnover of approximately US\$176.9 million, an increase of 6.74% from 2004. The increase was mainly attributable to PCB solutions whose turnover grew by 63.7% as a result of an increase in the market demand for the solutions and improvement in unit price for new products. For FPC solutions, several large international customers have been successfully developed. However, because of an unexpected delay in the launch of new products by certain key customers and a lower than expected volume for new products launched owing to market factors and shortage of some key component supplies, the Group experienced a decline in its results. Net profits for the year under review amounted to approximately US\$14.2 million.

Nevertheless, with the development of new businesses, the Group took vigorous action to strengthen its production facilities and provide more integrated and comprehensive solutions to its customers. While becoming a leading player in flexible printed circuit boards in China, the Group has enhanced the operating team, management and corporate structure to increase production capacity and efficiency. Besides, it also imposed stringent control over expenses and budgets so as to create a favorable platform for the future development of the Company.

FUTURE PROSPECTS

Given the continued fast growth in the market demand for compact, thin, multi-functional and portable electronic devices, the Group will focus on the production, sales and assembly of FPC and PCB. Being one of the leading enterprises in the FPC industry, the Group has professional designers and unique production technologies to manufacture the most advanced multi-layer air-gap FPC to meet customers' demand for more advanced products.

1. Exploring potential customers and diversification of operations

In the coming years, the Group's operating target is to effectively reduce reliance on any single customer. The Company has secured various large international customers and will continue to explore new potential customers in 2006. The Directors expect that these new customers will provide the Group with significant growth opportunities in the future. The Directors believe that the Group's quality products and efficient production provide the platform to build a more extensive customer base and to expand the scale of operation of the Group.

2. The introduction of new technologies, the acquisition of new equipment and the upgrading of production capacity

In order to offer higher quality products, increase production capacity and quality, and increase the production scale, the Group will acquire new FPC solution equipment for the production of compact printed circuit board products for liquid crystal display and camera modules. Currently, the FPC products manufactured by the Group are mainly used in handsets components such as hinge flex, keyboards and side-key boards. It is expected that the Group's competitiveness in securing orders will be enhanced following the introduction of these products to expand the Group's product offerings.

The Directors anticipate that the more advanced and contemporary handsets will use more and more high density interconnect ("HDI") PCB and rigid-flex and the demand of the Group's major customers for these products will also increase. Accordingly, in order to fulfill such expected demand and provide increasing value-added services to its customers, the Group will increase the acquisition of the HDI and rigid-flex production technology and equipment.

To expand its one-stop services ranging from components to assembly and manufacturing to strive for more businesses from its existing customers and to secure new customers, the Group intends to expand the scale of production and scope of operations to the assembly of electronic component modules or supporting finished products.

In realising the aforementioned strategies, the Group has established Suzhou Intellicircuit Solution Technology Co., Ltd (蘇州佳茂科技有限公司) in late 2005 and Forever Jade Electronics (Suzhou) Co., Ltd (佳永電子(蘇州)有限公司) in early 2006 for the production and assembly of high quality FPC, HDI PCB and rigid-flex.

3. Investment plan in Northern China

To better serve its customers in Northern China and Korea, previously the Group has decided to construct a factory in Northern China. The Group has previously identified a suitable piece of land and has been evaluating operational considerations such as labour costs and climate (which impacts transportation and operation costs). The evaluation indicated that labour and transportation costs are higher than those expected. Accordingly, this plan has been postponed for further evaluation. On the other hand, the Group's major competitor is increasing its production capacity in Suzhou. Therefore, the Group is considering whether to first apply the planned funds for the Northern China investment plan to expand its operations in Suzhou so as to strengthen its competitiveness, to retain existing customers and to secure new customers. Relevant announcement will be made once decision has been finalised.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to business partners, customers and shareholders of Global Flex for their support. On behalf of the Board of Directors, I would like to express by heartfelt thanks to the Global Flex staff team for their loyalty and dedication and wish we will achieve even greater success together.

For and on behalf of the Board

Lin Cheng Hung

Chairman

Hong Kong, 25 April 2006