

The directors of the Company (“Directors”) are pleased to present their first annual report and the audited consolidated financial statements for the year ended 31 December 2005.

CORPORATE REORGANISATION

The Company was incorporated in Cayman Islands on 22 July 2004 as an exempted company with limited liability. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Company became the holding company of its then subsidiaries on 5 July 2005.

Details of the reorganisation are set out in note 1 to the consolidated financial statements.

The shares of the Company were listed on the Stock Exchange with effect from 10 October 2005 (“Listing Date”).

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 31 of the 2005 annual report of the Company (“2005 Annual Report”) of which this report forms part.

The Directors now recommend, subject to approval of the shareholders at the forthcoming annual general meeting (“2006 AGM”), the payment of a final dividend of HK2.7 cents per share to the shareholders whose names appear on the register of members of the Company on 23 May 2006. Such dividends amount to US\$4,355,000 in total.

Subject to the approval of the shareholders of the Company at the 2006 AGM, the final dividend is expected to be payable on or about 30 June 2006.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2006 AGM, the register of members of the Company will be closed from Thursday, 18 May 2006 to Tuesday, 23 May 2006, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company’s transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 17 May 2006.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditures of approximately US\$14 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 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2005 amount to approximately US\$32,205,000 which comprise retained profit and contributed surplus of approximately US\$94,000 and US\$32,111,000 respectively.

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. Hsu Chung

Mr. Huang Lien Tsung

Non-executive directors

Mr. Lee Cheng Few

Mr. Chou Tsan Hsiung

Mr. Nguyen Duc Van

Independent non-executive directors

Mr. Wang Wei-Lin

Mr. Lee Ka Leung, Daniel

Mr. Tung Tat Chiu, Michael

In accordance with Article 112 of the Articles of Association, the office of all the Directors, namely Mr. Lin Cheng Hung, Mr. Hsu Chung, Mr. Huang Lien Tsung, Mr. Lee Cheng Few, Mr. Chou Tsan Hsiung, Mr. Nguyen Duc Van, Mr. Wang Wei-Lin, Mr. Lee Ka Leung, Daniel and Mr. Tung Tat Chiu, Michael, will end at the Annual General Meeting. Mr. Lee Ka Leung, Daniel, an independent non-executive Director, has given notice to the Company that he, due to personal reason, will not offer himself for re-election upon expiry of his office at the Annual General Meeting. All the other Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

To fill the place of Mr. Lee Ka Leung, Daniel, the Board has recommended that Mr. Chow Chi Tong be appointed as an independent non-executive Director by the Shareholders at the Annual General Meeting. The biographical details of Mr. Chow Chi Tong are set out in the circular of the Company despatched together with the 2005 Annual Report.

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 commencing 1 July 2005, except Wang Wei-Lin's agreement commenced on 1 October 2005, 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.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2005, 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:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Lin Cheng Hung	The Company	Interest of controlled corporation (Note 2)	68,732,217 shares (L)	5.5%
	Vertex Precision Electronics Inc. (“Vertex”)	Beneficial owner	1,653,222 shares of NT\$10 each (L)	0.577%
	Chia-Tung Investment Co., Ltd.	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 3)	1,000 shares of NT\$10 each (L)	0.004%
Mr. Hsu Chung	Vertex	Beneficial owner	6,000 shares of NT\$10 each (L)	0.0021%
Mr. Huang Lien Tsung	Vertex	Beneficial owner	15,000 shares of NT\$10 each (L)	0.0052%
	Vertex	Interest of spouse (Note 4)	75,107 shares of NT\$10 each (L)	0.0262%
Mr. Lee Cheng Few	Vertex	Beneficial owner	151,946 shares of NT\$10 each (L)	0.0530%
	Vertex	Interest of spouse (Note 5)	433,018 shares NT\$10 each (L)	0.1510%
Mr. Chou Tsan Hsiung	Vertex	Beneficial owner	97,000 each of NT\$10 each (L)	0.0338%
	Vertex	Interest of spouse (Note 6)	141,842 shares NT\$10 each (L)	0.0495%

Report of the Directors

Notes:

1. The letter “L” denotes the Directors’ long positions in the shares of the Company or the relevant associated corporation.
2. Mr. Lin Cheng Hung is the registered shareholder of 50% of the interest in LPP Holding, which is a shareholder of the Company, and he is the sole director of LPP Holding. Under the SFO, Mr. Lin Cheng Hung is deemed to be interested in all the Shares held by LPP Holding.
3. 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 in which Ms. Lin Ying-Chi is interested.
4. These shares are registered under the name of Ms. Chung Man-Chu, who is the wife of Mr. Huang Lien Tsung, Under the SFO, Mr. Huang Lien Tsung is deemed to be interested in all the shares in which Ms. Chung Man-Chu is interested.
5. These shares are registered under the name of Ms. Lee SCH Winne Chwen, who is the wife of Mr. Lee Cheng Few. Under the SFO, Mr. Lee Cheng Few is deemed to be interested in all the shares in which Ms. Lee SCH Winnie Chwen is interested.
6. These shares are registered under the name of Ms. Chou, Lee Hsiung Chiao, who is the wife of Mr. Chou Tsan Hsiung. Under the SFO, Mr. Chou Tsan Hsiung is deemed to be interested in all the shares in which Ms. Chou, Lee Hsiung Chiao is interested.

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 2005 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

Particulars of the Company’s share option scheme are set out in note 27 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 2005, 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	Number of ordinary shares	Percentage of the issued share capital of the Company
Century Champion Group Limited ("Century Champion") (note 2)	Beneficial owner	681,360,298 (L)	54.51%
	Beneficial owner	229,166,667 (S)	18.33%
Vertex Precision Electronics Inc. "Vertex") (note 2)	Interest of controlled corporation	681,360,298 (L)	54.51%
	Interest of controlled corporation	229,166,667 (S)	18.33%
DBS Nominees Pte. Ltd. ("DBS") (note 3)	Beneficial owner	54,466,268 (L)	4.36%
	Others	229,166,667 (L)	18.33%
DBS Bank Ltd (note 3)	Interest of a controlled corporation	54,466,268 (L)	4.36%
	Others	229,166,667 (L)	18.33%
DBS Group Holdings Ltd (note 3)	Interest of controlled corporations	54,466,268 (L)	4.36%
	Others	229,166,667 (L)	18.33%
LPP Holding (note 4)	Beneficial owner	68,732,217 (L)	5.5%
Lin Cheng Hung (note 4)	Interest of controlled corporation	68,732,217 (L)	5.5%
Lin Ying-Chi (note 5)	Interest of spouse	68,732,217 (L)	5.5%
Fang Chang Fa (note 6)	Interest of controlled corporation	68,732,217 (L)	5.5%
Sun Wen Hua (note 7)	Interest of spouse	68,732,217 (L)	5.5%
Deutsche Bank Aktiengesellschaft	Security interest	62,532,500 (L)	5%

Notes:

1. The letter “L” denotes the persons’ long positions in the shares of the Company and the letter “S” denotes the person’ short positions in the shares of the Company.
2. These 681,360,298 Shares (including the 229,166,667 Shares for the short position) 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 93.28% by Vertex and 6.72% by Chia-Tung Investment Co. Ltd. Under the SFO, Vertex is deemed to have a long position in respect of the 681,360,298 Shares and a short position in respect of the 229,166,667 Shares held by Century Champion.
3. These 229,166,667 shares represent the maximum number of shares which Century Champion has an obligation to deliver to DBS as one of the compensation mechanisms pursuant to the consideration adjustment mechanism under the sale and purchase agreement dated 30 April 2005 (as supplemented by the DBS Supplemental Agreements (as defined in the Company’s prospectus dated 28 September 2005 (“Prospectus”))) signed between, among others, Century Champion and DBS in respect of the shares in Pioneer Master Group Limited (which were exchanged for the shares pursuant to the Reorganisation) in the specified circumstances as stipulated in the agreement.
4. These 68,732,217 Shares are registered in the name of and beneficially owned by LPP Holding, the entire issued share capital of which is held as to 50% by Mr. Lin Cheng Hung, an executive Director, and 50% by Mr. Fang Chang Fa, the general manager of the Group.
5. Ms. Lin Ying-Chi is the spouse of Mr. Lin Cheng Hung. Under the SFO, Ms. Lin Ying-Chi is deemed to be interested in all the Shares Mr. Lin Cheng Hung is interested.
6. Mr. Fang Chang Fa is the registered shareholder of 50% of the interest in LPP Holding. Under the SFO, Mr. Fang Chang Fa is deemed to be interested in all the Shares held by LPP Holding.
7. Ms. Sun Wen Hua is the spouse of Mr. Fang Chang Fa. Under the SFO, Ms. Sun Wen Hua is deemed to be interested in all the Shares Mr. Fang Chang Fa is interested.

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 2005.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 22% and 55% 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.

USE OF PROCEEDS RAISED BY ISSUE OF SHARES

The Company has issued an aggregate of 250,000,000 new shares by way of placing and public offer for subscription at a price of HK\$1.02 per share in October 2005 in connection with its listing on the Stock Exchange on 10 October 2005. The net proceeds from such new issue (“Net Proceeds”), after deducting related expenses, amounted to approximately US\$30.6 million (equivalent to approximately HK\$236.8 million).

The Net Proceeds have been used in accordance with the section headed “Future plans and prospects and use of proceeds” set out in the Prospectus. It was stated that about US\$10.0 million out of the Net Proceeds will be used for the purchase of machinery and equipment for the Group’s Suzhou plant in expanding the Group’s manufacturing facilities and about US\$20.2 million out of the Net Proceeds will be used for the establishment of a new manufacturing plant for the production of flexible printed circuit boards (“FPC”), flexible printed circuit boards assembly (“FPCA”), rigid printed circuit boards (“PCB”), and rigid printed circuit boards assembly (“PCBA”) in Northern China. The Directors believe that the establishment of a new manufacturing plant would increase the number of manufacturing facilities and capacity of the Group in order to meet the increase in its customers’ demand and its plan to expand its customer base.

With a view to expand the Group’s manufacturing facilities, the Company decided to increase the amount of Net Proceeds to be used for the purchase of machinery and equipment for the Group’s Suzhou plant from US\$10 million to US\$13.6 million while the amount of Net Proceeds to be applied in the development of the Northern China plant will be about US\$16.6 million. The Directors take the view that such revision to the use of the Net Proceeds is in the interest of the Company and its shareholders as a whole.

	Use of proceeds (as set out in prospectus)	Changes	Use of proceeds (revised)	Use of proceeds up to 31 December 2005 (actual)	Balance
	US\$ (million)	US\$ (million)	US\$ (million)	US\$ (million)	US\$ (million)
Purchase of machinery and equipment for the Group’s Suzhou Plant	10.0	3.6	13.6	(3.5)	10.1
Construction of a manufacturing plant for the production of FPC, FPCA, PCB and PCBA in Northern China	20.2	(3.6)	16.6	—	16.6
	<u>30.2</u>	<u>—</u>	<u>30.2</u>	<u>(3.5)</u>	<u>26.7</u>

Report of the Directors

For the year ended 31 December 2005, an amount of approximately US\$13.6 million of the Net Proceeds was used as an additional capital contribution to Global Flex (Suzhou) in cash to be used in purchase of machines. Out of the above US\$13.6 million, an amount of approximately US\$3.5 million has been used to pay for the acquisition of machinery and equipment for the Group's Suzhou plant. Given that the actual Net Proceed amounted to US\$30.6 million, the total remaining balance of the Net Proceeds of approximately US\$27.1 million had been placed as short term deposits with licensed bank in Hong Kong and the PRC and is expected to be applied as disclosed in the Prospectus.

CONNECTED TRANSACTIONS

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

Lease of apartments by Mr. Hsu Chung to the Group

佳通科技（蘇州）有限公司 (Global Flex (Suzhou) Co., Ltd.) ("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\$18,089. (2004: US\$15,622).

Purchase of materials from Beshine Technologies Inc. ("Beshine")

The amount of the Group's purchases of raw materials from Beshine, a wholly-owned subsidiary of Burda Enterprise Inc., which is in turn a company controlled by a Director, being Mr. Lin Cheng Hung, and his associates, was approximately US\$0.6 million (2004:US\$11 million) for the year ended 31 December 2005. These transactions with Beshine has been discontinued since April 2005 as disclosed in the Prospectus.

Except for the above, no other continuing connected transactions occurred during the year under review.

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

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

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

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 controlling 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, Mr. Huang Lien Tsung, Mr. Lee Cheng Few and Mr. Chou Tsan Hsiung, each being a Director, was a shareholder of Vertex as at 31 December 2005. 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 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 on 5 July 2005. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the period from the Listing Date to 31 December 2005 and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

After the Listing Date, 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. Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy shall hold office until the first general meeting after their appointment while the articles of association of the Company provides that any Director so appointed shall hold office until the next annual general meeting. Amendments to the relevant provision of the articles of association of the Company will be proposed at the Annual General Meeting to be held on Tuesday, 23 May 2006 so that the provisions of the articles of association of the Company will be consistent with Code Provision A.4.2.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, namely Messrs. Wang Wei-Lin, Lee Ka Leung, Daniel and Tung Tat Chiu, Michael, 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.

Report of the Directors

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 comprises Mr. Lee Ka Leung, Daniel and Mr. Tung Tat Chiu, Michael, being independent non-executive Directors and Mr. Chou Tsan Hsiung, a non-executive Director. Currently, Mr. Lee Ka Leung, Daniel 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, comprises the three independent non-executive Directors, namely Mr. Wang Wei-Lin, Mr. Lee Ka Leung, Daniel and Mr. Tung Tat Chiu, Michael 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 Bye-Laws, 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 Director as at the date of this report, the Directors considered that the Company had maintained a sufficient public float since the Listing Date.

AUDITORS

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

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lin Cheng Hung

Chairman

Hong Kong, 25 April 2006