1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's ultimate holding company is Vertex Precision Electronics Inc. ("Vertex"), a company incorporated in Taiwan with limited liability on 6 January 1990, the shares of which are traded on Gretai Securities Market of the Republic of China.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on 5 July 2005. The shares of the Company were listed on the Stock Exchange on 10 October 2005 (the "Listing Date"). Details of the Group Reorganisation were set out in the prospectus issued by the Company, dated 28 September 2005.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements have been prepared using the principles of merger accounting basis in accordance with Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions".

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 34.

The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The financial statements are presented in the United States dollars, which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In 2005, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has early adopted all these new HKFRSs for the two years ended 31 December 2005, except for the following:

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) - INT 5	Rights to interests arising from Decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment[3]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economics[4]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis and in accordance with HKASs and HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their residual value, using the straight-line method.

Construction in progress are carried at cost, less any identified impairment losses. Depreciation of construction in progress commence when they are available for use (i.e. when they are in the location and condition necessary, for them to be capable of operating in the manner intended by management).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire medium-term leasehold land interests. The prepaid lease payments are stated at cost and are charged to the consolidated income statement over the period of the lease on a straight-line basis.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the tangible asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the tangible asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Income taxes

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits scheme contributions

Payments to defined contribution retirement benefits scheme are charged as expenses as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including amount due to a related company and bank and other borrowings, trade payables and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management makes various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal , if the assets were already of the age and in the condition expected at the end of its useful life.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment on irrecoverable trade receivables

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified.

Inventory valuation method

Inventory is valued at the lower of the actual cost or net realisable value. Cost is determined using the weighted average method. Market price is generally the merchandise selling price quoted from the market of similar items. The Group reviews its inventory levels in order to identify slow-moving and obsolete merchandise. Where the Group identifies items of inventory having a net realisable value lower than its carrying amount, the Group will estimate the amount of inventory loss as write-down for inventory.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank deposits and balances, borrowings, trade receivables and trade payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In addition, the Company has concentration of credit risk by certain major customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by arranging banking facilities and other external financing. In the opinion of the directors of the Group, most of the borrowings that mature within one year are able to be renewed and the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's income and operating cash flows are substantially independent of change in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank balances and cash and bank borrowings. Bank loans at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank borrowings have been disclosed in note 25.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Hong Kong Dollars and Taiwan dollars, are required to settle the Group's expenses, purchases of plant and equipment and borrowings.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency debts or transactions. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

6. REVENUE

Revenue represents the amounts received and receivable for goods sold, less returns and allowances, to outside customers during the year, and is analysed as follows:

	2005	2004
	US$	US$
Flexible printed circuit boards	**17,053,763**	10,341,640
Rigid printed circuit boards	**50,522,526**	34,241,148
Flexible printed circuit boards assembly	**99,081,343**	118,271,937
Rigid printed circuit boards assembly	**10,242,639**	2,877,717
	176,900,271	165,732,442

7. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating divisions - flexible printed circuit boards, rigid printed circuit boards, flexible printed circuit boards assembly and rigid printed circuit board assembly. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are manufacturing and trading of:

— Flexible printed circuit boards
— Rigid printed circuit boards
— Flexible printed circuit boards assembly
— Rigid printed circuit boards assembly

7. SEGMENTAL INFORMATION *(continued)*

	Flexible printed circuit boards		Rigid printed circuit boards		Flexible printed circuit boards assembly		Rigid printed circuit boards assembly		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	US$	US$	**US$**	US$	**US$**	US$	**US$**	US$	**US$**	US$
REVENUE										
External sales	**17,053,763**	10,341,640	**50,522,526**	34,241,148	**99,081,343**	118,271,937	**10,242,639**	2,877,717	**176,900,271**	165,732,442
RESULTS										
Segment results	**1,171,323**	850,876	**1,360,877**	50,807	**20,781,036**	34,132,739	**699,698**	161,607	**24,012,934**	35,196,029
Unallocated corporate income									**2,481,529**	91,086
Unallocated corporate expenses									**(7,051,578)**	(4,559,374)
Finance costs									**(3,019,681)**	(1,684,479)
Profit before taxation									**16,423,204**	29,043,262
Income tax expense									**(2,233,892)**	(3,936,830)
Profit for the year									**14,189,312**	25,106,432
ASSETS										
Segment assets	**57,956,860**	45,014,741	**72,149,572**	43,827,115	**36,503,237**	63,216,744	**4,959,784**	1,719,024	**171,569,453**	153,777,624
Unallocated corporate assets									**77,363,336**	15,243,774
Consolidated total assets									**248,932,789**	169,021,398
LIABILITIES										
Segment liabilities	**18,378,971**	21,675,073	**10,454,291**	18,402,679	**14,977,514**	17,224,450	**11,099,526**	806,189	**54,910,302**	58,108,391
Unallocated corporate liabilities									**89,285,231**	53,270,323
Consolidated total liabilities									**144,195,533**	111,378,714
OTHER INFORMATION										
Impairment of bad and doubtful debts	**220,435**	40,848	**328,280**	136,159	**179,050**	458,450	**13,937**	13,615	**741,702**	649,072
Write-down for inventories	**381,104**	43,951	**256,028**	33,941	**77,838**	1,030,353	**99**	32	**715,069**	1,108,277
Capital additions	**4,058,592**	8,076,445	**1,819,319**	11,935,035	**1,085,162**	3,238,043	**8,526,292**	79,318	**15,489,365**	23,328,841
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	**2,080,190**	1,344,652	**3,020,837**	1,987,071	**872,008**	539,104	**199,044**	13,206	**6,172,079**	3,884,033

7. SEGMENTAL INFORMATION *(continued)*

Geographical segments

The Group's operations are located in the PRC and the Republic of China ("ROC").

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

	2005	2004
	US$	US$
The PRC	**104,525,891**	118,786,565
Hong Kong	**30,839,311**	789,790
United States of America	**11,106,477**	9,813,147
South East Asia	**23,332,176**	32,361,101
Europe	**2,072,802**	390,401
The ROC	**1,502,234**	2,138,395
Others	**3,521,380**	1,453,043
	176,900,271	165,732,442

As at 31 December 2005 and 2004, over 90% of identifiable assets of the Group are located in the PRC. Accordingly, no analysis on carrying amount of segment assets or additions to property, plant and equipment is presented.

8. OTHER INCOME

	2005	2004
	US$	US$
Interest income	**242,603**	32,824
Rental income	**7,398**	23,938
Sales of scrap materials	**660,244**	—
Tax incentive payment received	**1,201,399**	—
Net exchange gain	**74,698**	—
Write-back of other payables	**177,705**	—
Others	**117,482**	34,324
	2,481,529	91,086

9. FINANCE COSTS

	2005 US$	2004 US$
Interest on:		
- bank borrowings wholly repayable within five years	**3,001,601**	1,656,084
- other borrowings	**18,080**	28,395
	3,019,681	1,684,479

10. INCOME TAX EXPENSE

No provision of Hong Kong Profits Tax has been made as the Group's profit neither arised in, nor derived from Hong Kong. The tax charge for the year is arising from the taxation on its subsidiaries located in the PRC.

Pursuant to the relevant laws and regulations in the PRC, Global Flex (Suzhou) Company Limited ("Global Flex (Suzhou)"), a PRC subsidiary of the Company is entitled to the exemptions from the PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from its first profit-making year and to a 50% relief from the FEIT for the following three years. Global Flex (Suzhou)'s first profit-making year is the year ended 31 December 2002. Global Flex (Suzhou) has its operations located in Suzhou, the PRC which is the coastal economic open zones and is subject to a preferential tax rate of 27%.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 US$	2004 US$
Profit before taxation	**16,423,204**	29,043,262
Tax at the domestic income tax rate of 27%	**4,434,265**	7,841,708
Tax effect of income not taxable for tax purpose	**(437,843)**	(242,798)
Tax effect of expenses not deductible for tax purpose	**899,264**	1,258,957
Effect of tax exemptions granted to PRC subsidiaries	**(2,661,794)**	(4,921,037)
Tax charge for the year	**2,233,892**	3,936,830

The domestic income tax rate in the jurisdiction where the major operations of the Group is substantially based is used.

No provision for deferred taxation has been recognised in the consolidated financial statements as the amount involved is insignificant.

11. PROFIT FOR THE YEAR

	2005	2004
	US$	US$
Profit for the year has been arrived at after charging and crediting:		
Staff costs, including directors' remuneration		
- salaries and allowances	**17,317,129**	13,509,935
- retirement benefits scheme contributions	**1,881,049**	914,813
Total staff costs	**19,198,178**	14,424,748
Auditors' remuneration	**111,918**	29,999
Impairment of bad and doubtful debts (included in administrative expense)	**741,702**	649,072
Write-down of inventories (included in administrative expense)	**715,069**	1,108,277
Amortisation of prepaid lease payments	**9,811**	6,091
Cost of inventories recognised as an expense	**102,506,757**	91,737,441
Depreciation of property, plant and equipment	**6,162,268**	3,877,942
Listing expenses charged to the income statement	**1,192,831**	—
Loans handling fee paid	**82,550**	108,290
Net exchange (gain) loss	**(63,774)**	79,426
Write-back of allowance for bad debts	**(129,354)**	—

12. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

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

2005

	Lin Cheng Hung US$	Hsu Chung US$	Huang Lien Tsung US$	Lee Cheng Few US$	Chou Tsan Hsiung US$	Nguyen Duc Van US$	Wang Wei-Lin US$	Lee Ka Leung, Daniel US$	Tung Tat Chiu, Michael US$	Total US$
Fees	—	—	—	—	—	—	—	—	—	—
Other emoluments										
Basic salaries and allowances	128,081	157,834	58,631	11,613	11,613	11,613	5,806	11,613	11,613	408,417
Bonus	49,836	41,700	—	—	—	—	—	—	—	91,536
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—
Total emoluments	177,917	199,534	58,631	11,613	11,613	11,613	5,806	11,613	11,613	499,953

2004

	Lin Cheng Hung US$	Hsu Chung US$	Huang Lien Tsung US$	Lee Cheng Few US$	Chou Tsan Hsiung US$	Nguyen Duc Van US$	Wang Wei-Lin US$	Lee Ka Leung, Daniel US$	Tung Tat Chiu, Michael US$	Total US$
Fees	—	—	—	—	—	—	—	—	—	—
Other emoluments										
Basic salaries and allowances	115,501	119,029	—	—	—	—	—	—	—	234,530
Bonus	122,900	100,000	—	—	—	—	—	—	—	222,900
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—
Total emoluments	238,401	219,029	—	—	—	—	—	—	—	457,430

12. DIRECTORS' AND EMPLOYEES' REMUNERATIONS *(continued)*

The five highest paid individuals included two directors for the years ended 31 December 2005 and 2004, details of whose emoluments are included above. The emoluments of the remaining three individuals for the years ended 31 December 2005 and 2004 are as follows:

	2005	2004
	US$	US$
Basic salaries and allowances	**250,490**	200,250
Bonus	**165,000**	270,000
Retirement benefit scheme contributions	**—**	—
	415,490	470,250

Their emoluments were within the following bands:

	2005	2004
	Number of employees	Number of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	1
	3	3

For the years ended 31 December 2005 and 2004, no emoluments were paid by the Group to these five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments.

13. DIVIDENDS

The final dividend of HK 2.7 cents per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting. However, during the year ended 31 December 2004, Global Technology had paid dividends of US$3,000,000 to their then shareholders prior to the Group Reorganisation. The dividend payable was settled during the year ended 31 December 2005.

14. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2005	2004
	US$	US$
Earnings for the purposes of basic earnings per share	**14,189,312**	25,106,432
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,056,849,315**	1,000,000,000

The calculation of basic earnings per share for the year ended 31 December 2004 was based on the Company's 1,000,000,000 shares deemed to be issued throughout the year assuming the Group Reorganisation and the subsequent capitalisation issue has been completed on 1 January 2004.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings US$	Machinery and equipment US$	Motor vehicles US$	Office and other equipment US$	Construction in progress US$	Total US$
COST						
At 1 January 2004	9,431,729	31,549,496	347,886	1,340,404	742,319	43,411,834
Additions	166,324	16,875,636	128,070	590,662	5,568,149	23,328,841
Transfer	5,249,509	873,814	—	—	(6,123,323)	—
At 31 December 2004	14,847,562	49,298,946	475,956	1,931,066	187,145	66,740,675
Exchange adjustments	305,740	1,067,512	9,801	39,764	3,856	1,426,673
Additions	191,109	13,542,451	247,334	612,974	895,497	15,489,365
Transfer	524,252	—	—	—	(524,252)	—
At 31 December 2005	15,868,663	63,908,909	733,091	2,583,804	562,246	83,656,713
DEPRECIATION						
At 1 January 2004	1,386,384	5,429,716	98,494	479,249	—	7,393,843
Provided for the year	439,946	3,116,772	61,767	259,457	—	3,877,942
At 31 December 2004	1,826,330	8,546,488	160,261	738,706	—	11,271,785
Exchange adjustments	37,608	198,989	3,300	15,211	—	255,108
Provided for the year	800,298	4,881,433	114,436	366,101	—	6,162,268
At 31 December 2005	2,664,236	13,626,910	277,997	1,120,018	—	17,689,161
CARRYING VALUES						
At 31 December 2005	13,204,427	50,281,999	455,094	1,463,786	562,246	65,967,552
At 31 December 2004	13,021,232	40,752,458	315,695	1,192,360	187,145	55,468,890

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

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

Construction in progress are not depreciated until completion of construction when the properties are ready for their intended use. The construction in progress are situated in the PRC and are held under medium-term leases.

Buildings include assets carried at costs of US$277,435 and US$362,450 and accumulated depreciation of US$41,615 and US$16,310 as at 31 December 2005 and 2004, respectively, in respect of assets held for use under operating leases. Depreciation charged in respect of these assets amounted to US$24,969 and US$16,310 for the years ended 31 December 2005 and 2004 respectively.

The Group has pledged property, plant and equipment having a net book value of approximately US$31,679,000 (2004: US$32,559,000) to secure general banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

	2005	2004
	US$	US$
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**1,255,119**	1,239,411
Analysed for reporting purposes as:		
Current asset	**21,678**	8,998
Non-current asset	**1,233,441**	1,230,413
	1,255,119	1,239,411

The Group has pledged prepaid lease payments having a net book value of approximately US$267,307 (2004: Nil) to secure general banking facilities granted to the Group.

17. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investment represents the club debenture which is held on a long-term basis. It is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

The directors are of the opinion that the value of this investment is worth at least its costs.

18. INVENTORIES

	2005	2004
	US$	US$
Raw materials	**16,207,910**	18,033,297
Work in progress	**7,739,537**	4,146,545
Finished goods	**8,738,660**	7,914,320
	32,686,107	30,094,162

19. TRADE AND OTHER RECEIVABLES

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

The aged analysis of the Group's trade receivables as at each of the balance sheet dates are as follows:

	2005	2004
	US$	US$
Trade receivables:		
0 - 30 days	**23,166,763**	22,748,341
31 - 60 days	**19,932,283**	22,299,225
61 - 90 days	**12,206,124**	11,454,752
91 - 120 days	**7,795,895**	2,905,888
121 - 150 days	**2,856,401**	1,872,544
Over 150 days	**1,516,026**	1,596,385
	67,473,492	62,877,135
Other receivables	**5,255,476**	3,322,878
	72,728,968	66,200,013

The fair value of the Group's trade and other receivables at 31 December 2005 was approximate to the corresponding carrying amount.

The Group has pledged trade receivables of approximately US$7,243,000 (2004: US$6,078,000) to secure general banking facilities granted to the Group.

20. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount was unsecured, non-interest bearing and was fully settled during the year.

The fair value of the Group's amount due from ultimate holding company at 31 December 2004 approximate the corresponding carrying amounts.

21. AMOUNTS DUE FROM RELATED COMPANIES

			Maximum balance outstanding during the year	
	2005	2004	**2005**	2004
	US$	US$	**US$**	US$
Burda Enterprises Inc. ("Burda")	**—**	129,491	**129,491**	600,305
蓬萊島數位科技股份有限公司（「蓬萊島」）	**—**	15,463	**15,463**	31,076
	—	144,954		

Mr. Lin Cheng Hung is a director and a shareholder of Burda.

Mr. Lin Pang Chung, the father of Mr. Lin Cheng Hung, is the director of 蓬萊島 .

The amounts due from related companies are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of amounts due from related companies approximates their fair value.

22. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure the general banking facilities granted to the Group. All deposits have been pledged to secure short-term bank loans and are therefore classified as current assets.

The deposits carry fixed interest rate of 3% to 3.5% per annum (2004: 0.7% to 0.875% per annum). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings. The fair value of bank deposits at the balance sheet date approximate to the corresponding carrying amounts.

23. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables as at each of the balance sheet dates are as follows:

	2005	2004
	US$	US$
Trade payables:		
0 - 90 days	**34,793,841**	35,056,516
91 - 120 days	**4,146,871**	2,429,352
121 - 180 days	**1,880,511**	1,839,906
181 - 365 days	**729,910**	1,515,688
Over 365 days	**147,149**	377,342
	41,698,282	41,218,804
Other payables	**13,212,020**	14,170,058
	54,910,302	55,388,862

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 120 days.

The fair value of the Group's trade and other payables at the balance sheet date approximates to the corresponding carrying amounts.

24. AMOUNT DUE TO A RELATED COMPANY

	2005	2004
	US$	US$
Name of related company Beshine Technologies Inc. ("Beshine")	**—**	4,270,681

Beshine is a subsidiary of Burda.

The amount due to a related company was unsecured, non-interest bearing and repayable on demand. The amount was settled during the year.

The fair value of the Group's amount due to a related company at 31 December 2004 approximates to the corresponding carrying amount.

25. BANK AND OTHER BORROWINGS

	2005	2004
	US$	US$
Bank loans	**88,510,294**	45,934,905
Trust receipt loans	**—**	132,110
Other loans	**—**	2,700,000
	88,510,294	48,767,015
Secured	**61,825,634**	25,768,092
Unsecured	**26,684,660**	22,998,923
	88,510,294	48,767,015
Carrying amount repayable:		
On demand or within one year	**83,578,112**	48,767,015
More than one year, but not exceeding two years	**4,932,182**	—
	88,510,294	48,767,015
Less: Amounts due within one year shown under current liabilities	**(83,578,112)**	(48,767,015)
	4,932,182	—

The Group's borrowings that are denominated in the following currencies:

	US$	**RMB**	**JPY**	**Total**
				US$
As at 31 December 2005				
Bank loans	24,950,000	63,560,294	—	88,510,294
As at 31 December 2004				
Bank loans	14,100,000	31,834,904	—	45,934,904
Trust receipt loans	—	—	132,110	132,110
Other loans	2,700,000	—	—	2,700,000
	16,800,000	31,834,904	132,110	48,767,014

25. BANK AND OTHER BORROWINGS *(continued)*

Bank loans were fixed-rate borrowings which carried interest ranging from 1.93% to 5.94% per annum (2004: from 1.95% to 5.58% per annum) and were repayable by instalments over the loan period.

Trust receipt loans were repayable within six months from the date the loan was raised.

As at 31 December 2004, other loans of US$2,700,000 were guaranteed by Vertex, the ultimate holding company of the Group and Mr. Lin Pang Chung of which US$1,300,000 were also secured by the shares of Vertex held by Mr. Lin Pang Chung or the Group's deposits. The other loans were interest bearing at 2.05% per annum and were fully settled during the year and the relevant guarantees and collaterals were released upon settlement.

The directors consider that the carrying amounts of the borrowings approximate their fair value.

26. SHARE CAPITAL OF THE COMPANY

	Notes	**Number of shares**	**Nominal value** HK$
Ordinary shares of HK$0.1 each			
Authorised:			
On incorporation and at 31 December 2004	(i)	1,000,000	100,000
Increase in authorised share capital	(ii)	4,999,000,000	499,900,000
At 31 December 2005		5,000,000,000	500,000,000
Shown in financial statements as			US$64,561,129
Issued and fully paid:			
Allotted and issued on incorporation	(i)	1	—
Issue of shares on the Group Reorganisation	(iii)	999,999	100,000
Issue of shares through initial public offer	(iv)	250,000,000	25,000,000
Capitalisation issue	(v)	999,000,000	99,900,000
At 31 December 2005		1,250,000,000	125,000,000
Shown in financial statements as			US$16,129,032

The share capital of US$32,000,000 at 31 December 2004 in the consolidated balance sheet represented aggregate share capital of the Company and Global Technology prior to the Group Reorganisation, as set out in note 1, which was completed on 5 July 2005.

26. SHARE CAPITAL OF THE COMPANY *(continued)*

The following changes in the share capital of the Company took place during the period from 22 July 2004 (date of incorporation) to 31 December 2005:

(i) Upon incorporation on 22 July 2004, the Company had authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.1 each. On 9 August 2004, one share with par value of HK$0.1 was allotted and issued.

(ii) Pursuant to the written resolutions of sole shareholder of the Company passed on 5 July 2005, the authorised share capital of the Company was increased from HK$100,000 to HK$500,000,000 by the creation of additional 4,999,000,000 shares of HK$0.1 each.

(iii) On 5 July 2005, the Company allotted and issued, credited as fully paid, 999,999 shares of HK$0.1 each for the acquisition of Global Technology International Limited pursuant to the Group Reorganisation.

(iv) On 7 October 2005, 250,000,000 ordinary shares of HK$0.1 each were issued at HK$1.02 each for cash through an initial public offering by way of placement and public offer.

(v) Pursuant to a written resolution of sole shareholder of the Company passed on 5 July 2005 and conditional on the reserve account of the Company being credited as a result of the placement and public offer on 10 October 2005, an amount of HK$99,900,000 was capitalised and applied to pay up in full at par 999,000,000 shares of HK$0.1 each on a pro-rata basis to the Company's shareholders whose names appeared in the register of the Company on 7 July 2005.

27. SHARE OPTION SCHEME

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

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

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

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue on the Listing Date ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

27. SHARE OPTION SCHEME *(continued)*

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

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

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

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

No option has been granted under the Share Option Scheme from the date of adoption of the scheme up to 31 December 2005.

28. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases was US$104,306 (2004: US$22,055).

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

	2005	2004
	US$	US$
Within one year	**145,982**	67,827
In the second to fifth years inclusive	**66,451**	48,327
	212,433	116,154

Operating lease payment represent rentals payable by the Group for its factories and staff quarters. Lease terms are negotiated for a term ranged from one to two years and rentals are fixed for an average of two years.

The Group as lessor

Property rental income earned during the year was US$7,398 (2004: US$23,938). The properties held for rental purpose have committed tenants for a term ranged from one to two years.

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

	2005	2004
	US$	US$
Within one year	**1,850**	7,249
In the second to fifth years inclusive	**—**	1,812
	1,850	9,061

29. CAPITAL COMMITMENTS

	2005	2004
	US$	US$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**771,952**	76,235

30. PLEDGE OF ASSETS

At the balance sheet date, the Group had the following assets pledged to banks to secure the general banking facilities granted to the Group:

	2005 US$	2004 US$
Property, plant and equipment	**31,678,922**	32,558,556
Prepaid lease payments	**267,307**	—
Trade receivables	**7,242,937**	6,078,453
Bank deposits	**28,645,619**	8,174,302

31. RETIREMENT BENEFITS SCHEME

In accordance with the relevant PRC rules and regulations, Global Flex (Suzhou) is required to establish a defined contribution plan managed by the relevant local government bureau in the PRC and to make contributions to the plan for its eligible employees. The contribution borne by Global Flex (Suzhou) is calculated according to the level regulated by the municipal government.

The total cost charged to income of US$1,881,049 (2004: US$914,813) represents contributions payable to this scheme by the Group in respect of the current accounting period. As at 31 December 2005, contributions of US$387,743 (2004: US$320,121) due in respect of the reporting period had not been paid over to the scheme.

32. RELATED PARTY DISCLOSURES

Transactions between group companies have been eliminated on consolidation and are not disclosed in this note.

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

Name of related parties	Nature of transactions	2005 US$	2004 US$
Vertex	Sales of finished goods	**—**	496,538
	Purchase of property, plant and equipment	**—**	633,722
Burda	Commission paid	**—**	11,134
	Sales of finished goods	**—**	198,095
Mr. Hsu Chung, a director	Rentals paid	**18,089**	15,622
Beshine	Commission paid	**—**	250,724
	Purchase of materials	**638,663**	11,354,182

32. RELATED PARTY DISCLOSURES *(continued)*

In addition, other loans as at 31 December 2004 were guaranteed by Vertex and Mr. Lin Pang Chung and secured by the shares of Vertex held by Mr. Lin Pang Chung as set out in note 25. The guarantees and the collateral were released upon the full settlement during the year.

Balances with related parties as at 31 December 2005 and 2004 are set out in notes 20, 21 and 24.

Compensation of key management personnel

The emoluments of directors and other members of key management of the Group during the year was as follows:

	THE GROUP	
	2005	2004
	US$	US$
Short-term benefits	**499,953**	457,430
Post-employment benefits	**—**	—
	499,953	457,430

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

33 BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 December 2005 are as follows:

	Note	**US$**
Non-current assets		
Investments in subsidiaries		32,123,872
Current assets		
Other receivables		1,525,548
Amounts due from subsidiaries		17,544,866
Bank balances and cash		12,878,587
		31,949,001
Current liability		
Other payables		107,742
Net current assets		31,841,259
		63,965,131
Capital and reserve		
Share capital		16,129,032
Reserves	(a)	47,836,099
		63,965,131

Note:

(a) Reserves

	Share premium US$	**Contributed surplus** US	**Retained profit** US$	**Total** US$
At 1 January 2005	—	—	—	—
Issue of shares at premium through initial public offer	29,677,418	—	—	29,677,418
Share issue expenses	(1,155,560)	—	—	(1,155,560)
Effect of Group Reorganisation	—	32,110,967	—	32,110,967
Capitalisation issue	(12,890,322)	—	—	(12,890,322)
Profit for the year	—	—	93,596	93,596
At 31 December 2005	15,631,536	32,110,967	93,596	47,836,099

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Class of share held	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/ paid up capital held by the Company		Principal activities
				Directly	Indirectly	
Forever Jade Holding Limited	Samoa	Ordinary	US$1	100%	—	Inactive
Global Flex Technology (Korea) Inc.	Korea	Ordinary	WON50,000,000	—	100%	Inactive
*Global Flex (Suzhou) Co., Ltd.	The PRC	N/A	US$48,000,000	—	100%	Manufacturing and trading of printed circuit boards
Global Technology International Ltd.	British Virgin Islands/ The PRC	Ordinary	US$32,000,000	100%	—	Investment holding and trading of printed circuit boards
Value Manage International Limited	Hong Kong	Ordinary	HK$1	—	100%	Inactive
*蘇州佳茂科技有限公司	The PRC	N/A	US$23,600,000	—	100%	Inactive

* These subsidiaries are wholly-foreign-owned enterprises established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.