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)

2006 INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

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. Chow Chi Tong (appointed with effect from 23 May 2006)
Mr. Lee Ka Leung, Daniel (resigned with effect from 23 May 2006)
Mr. Liao Kuang Sheng (appointed with effect from 1 September 2006)
Mr. Tung Tat Chiu, Michael (resigned with effect from 1 September 2006)

Company Secretary and Qualified Accountant

Mr. Lee Wai Yin, ACCA, CPA

Authorised representatives

Mr. Huang Lien Tsung
Mr. Lee Wai Yin

Auditors

Deloitte Touche Tohmatsu

Compliance Advisor

Goldbond Capital (Asia) Limited

Legal Advisor as to Hong Kong law

Chiu & Partners

Registered office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Place of business in Hong Kong

Room 507, Tower Two, Lippo Centre
89 Queensway
Admiralty
Hong Kong

Stock Code: 471

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

REVIEW OF OPERATIONS

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

During the six months period ended 30 June 2006 ("Period"), the Company and its subsidiaries (collectively, the "Group") recorded a total turnover of approximately US$111.6 million, representing an increase of around US$32.0 million (or 40.3%) as compared to the corresponding period of 2005. The increase was mainly attributable to a significant increase in the demand for rigid printed circuit board ("PCB") solution and a stable increase in demand for flexible printed circuit board ("FPC") solution by existing customers. The increased demand for PCB solutions mainly represents the products used in computer peripherals, telecommunication equipment and motor vehicles. In addition, the average unit price of PCB and rigid printed circuit board assembly ("PCBA") products experienced an increase during the Period which was mainly due to the increase in raw material cost of PCB (such as the cost of laminates and copper foils) and the change in product mix of the Group.

During the Period, the Group took steps to strengthen its production facilities and to provide more integrated and comprehensive solutions to its customers.

With the commencement of the operation of 佳永電子（蘇州）有限公司 (Forever Jade Electionics (Suzhou) Co., Ltd) ("Forever Jade") in June 2006, the Group has expanded its scope of operation to the assembly of electronic component modules and supporting finished products, with an aim to expand the Group's one-stop services offered to its existing and new customers. The major products assembled by Forever Jade include mobile phones, digital cameras and switches.

A new plant of another wholly owned subsidiary of the Company, 蘇州佳茂科技有限公司 (Suzhou Intellicircuit Solution Techonology Co., Ltd) ("Suzhou Intellicircuit"), is currently under development and construction. The contruction of the new plant is expected to be completed in December 2006. Taking into account the acquisition of machinery and the installation, the operation of the new plant is expected to commence in the first quarter of 2007. Suzhou Intellicircuit will specialize in the production of high quality FPC, thin film transistor ("TFT") liquid crystal display ("LCD") PCB, high density interconnect ("HDI") PCB and rigid-flex which are expected to be in significant demand in the near future.

FINANCIAL REVIEW

For the Period, the Group recorded a turnover of approximately US$111.6 million, gross profit of approximately US$15.2 million and profit of approximately US$4.6 million as compared to a turnover of approximately US$79.5 million, gross profit of approximately US$13.6 million and profit of approximately US$7.8 million for the six months period ended 30 June 2005, representing an increase in turnover and gross profit of approximately 40.3% and 12.0% and a decrease in profit of approximately 40.8% respectively.

Turnover

The turnover of the Group for the Period and the comparative figures of the same period of 2005 classified by categories of the major operations are set out below:

Turnover by operations

	Period ended 30 June 2006		Period ended 30 June 2005		Change
	US$'000 (unaudited)	**%**	US$'000 (unaudited)	%	%
FPC solutions					
Flexible printed circuit board assembly ("FPCA")	**55,556**	**49.8**	52,922	66.6	5.0
FPC	**9,214**	**8.3**	6,129	7.7	50.3
Total FPC solutions	**64,770**	**58.1**	59,051	74.3	9.7
PCB solutions					
PCBA	**14,320**	**12.8**	1,037	1.3	1,280.9
PCB	**32,469**	**29.1**	19,423	24.4	67.2
Total PCB solutions	**46,789**	**41.9**	20,460	25.7	128.8
Total	**111,559**	**100.0**	79,511	100.0	40.3

The Group's turnover was mainly derived from the sales of FPCA and PCB. With reference to the above table, turnover from the sales of FPCA and the sales of PCB for the Period were approximately US$55.6 million and US$32.5 million (2005: US$52.9 million and US$19.4 million) respectively, representing approximately 49.8% and approximately 29.1% of the total sales of the Group (2005: 66.6% and 24.4%) respectively.

The slight increase in the sales of FPC solutions by approximately 9.7% during the Period was primarily attributable to the stable increase of demand from the Group's existing customers and new customers, but was partially offset by the decrease in demand from certain customers, the product cycle of whose products was completed at the beginning of the Period. During the Period, the Group has continued to explore new customers in order to achieve a more extensive customer base and to reduce reliance on any single customer. During the Period, despite an increase of the total sales amount to Motorola, sales contribution in terms of percentage to total sales was reduced. The Directors believe that the expansion and diversification of the customer base is beneficial and will mitigate the concentration risk of the Group.

The sales of PCB and PCBA has increased significantly by approximately 67.2% and 1,280.9% respectively during the Period. These increases were primarily due to the significant increase in demand from existing customers. Those increased demand for PCB solutions mainly represents the products used in computer peripherals, telecommunication equipments and motor vehicles. In addition, the average unit price of PCB and PCBA products experienced an increase during the Period which was mainly due to the increase in raw material cost of PCB (such as the cost of laminates and copper foils) and the change in product mix.

Gross profit margin by operations

	Period ended 30 June 2006 % (unaudited)	Period ended 30 June 2005 % (unaudited)
FPC solutions		
FPCA	**17.5**	27.9
FPC	**11.1**	3.6
PCB solutions		
PCBA	**9.4**	15.0
PCB	**9.6**	(8.1)
Overall	**13.6**	17.1

The Group's total gross profit for all its operations increased from approximately US$13.6 million for the six months ended 30 June 2005 to approximately US$15.2 million for the Period. However, the overall gross profit margin decreased from approximately 17.1% for the six months ended 30 June 2005 to 13.6% during the Period. The decrease is primarily due to the fact that the gross profit margin of FPCA decreased from approximately 27.9% for the six months ended 30 June 2005 to approximately 17.5% during the Period. The main reason for the decrease is the increase in raw material cost and the relatively lower usage rate during the Period as compared to the same period in 2005 after the capacity increase during the second half of 2005.

On the other hand, the gross profit margin of FPC increased due to the fact that technology and certain products of the Group's major customers became mature and the average price for those products rose due to increased demand. Therefore, the gross profit margin of FPC increased from approximately 3.6% for the six months ended 30 June 2005 to 11.1% during the Period.

The gross profit ratio of PCB increased due to a rise in demand for higher margin products such as 4 layers and over 4 layers PCB and an improved product mix of the Group, with new products of higher unit price and margin during the Period despite the significant increase in raw material cost of PCB during the Period.

Profit attributable to shareholders and operating expenses

During the Period, the Group recorded a profit of approximately US$4.6 million, representing a decrease of approximately 40.8% as compared to approximately US$7.8 million in the corresponding period in 2005. The decrease was mainly attributable to an increase in distribution, administrative and finance expenses.

During the Period, as oil prices continued to soar, coupled with the increase in demand for the Group's products, transportation costs increased significantly. This is one of the main reasons for the increase in distribution cost during the Period.

Moreover, administrative expenses increased mainly due to the write down of inventories aged over 12 months according to the Group's accounting policy and also the salary increase due to an increase in headcount from 5,000 to 5,700 for the Period.

The finance costs increased mainly due to higher bank borrowings which is in line with the increased turnover of the Group during the Period.

Liquidity and financial resources

As at 30 June 2006, the Group had shareholders' funds of approximately US$106.3 million. Current assets amounted to approximately US$192.5 million which mainly comprised of bank balances and cash of approximately US$35.0 million, pledged bank deposits of approximately US$29.2 million, inventories of approximately US$34.9 million and trade receivables of approximately US$82.3 million. Current liabilities amounted to approximately US$154.6 million which mainly comprised of bank loans of approximately US$99.2 million and trade payables of approximately US$46.7 million. Non-current liability only includes long term bank loans which amounted to approximately US$5.0 million. The Group increased total borrowings by US$15.6 million during the Period mainly for business expansion and investment in the Group's production capacity.

As at 30 June 2006, the Group's current ratio was 1.25 (2005: 1.30) and the gearing ratio (a ratio of total loans to total assets) was 39.2% (2005: 35.6%).

Foreign exchange exposure

For the Period, most assets, liabilities and transactions of the Group were denominated in Renminbi ("RMB"), Hong Kong Dollars ("HKD") and US Dollars ("USD"). The management expects that the change in value of RMB will not have any adverse effect to the Group since RMB has generally been perceived as having appreciation in value relative to HKD and USD. The sales and purchases denominated and settled in USD has substantially hedged the risks of the transactions in foreign currency and the Group did not make any other hedging arrangement during the Period.

SEGMENTAL INFORMATION

As at 30 June 2006, detailed segmental information of the Group is set out below under note 3 to the unaudited condensed financial statements.

NUMBER AND REMUNERATION OF EMPLOYEES

During the Period, the average number of employees of the Group was approximately 5,700 (2005: 5,000). As at 30 June 2006, the Group's staff costs amounted to approximately US$6.3 million (2005: US$5.3 million). The remuneration policy of the Company is reviewed annually and is in line with the prevailing market practice. During the Period, the Company has not granted any share options to its employees or Directors under the share option scheme of the Company adopted on 5 July 2005.

The employees of the Company's subsidiaries in the PRC are members of a state-managed social welfare scheme operated by the local government of the PRC. Under the scheme, the Group provides retirement, medical, employment injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of their payroll costs to the social welfare scheme to fund those benefits. The only obligation of the Group with respect to the social welfare scheme is to make such specified contribution.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

CHARGE ON ASSETS

As at 30 June 2006, pledges of the Group's properties, trade receivable, bank deposits and prepaid lease payment amounted to approximately US$35.5 million, US$27.9 million, US$29.2 million and US$Nil million respectively (2005: US$31.7 million, US$7.2 million, US$28.6 million and US$0.3 million) have been created to secure bank borrowings.

CONTINGENT LIABILITIES

As at 30 June 2006, the Group or the Company did not have any significant contingent liabilities (2005: Nil).

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The new production plant of Suzhou Intellicircuit is expected to start production in the first quarter of 2007. It will increase the acquisition of the HDI, TFT LCD and rigid-flex production technology and equipment. It is expected that at the beginning, it will mainly produce TFT LCD, HDI and rigid-flex products. The planned production capacity of TFT LCD and HDI in the new plant of Suzhou Intellicircuit is about 350,000 square feet per month. The new plant can supplement or solve the problem of the lack of PCB, HDI PCB and rigid-flex production capacity of the Group in the past. It can solve the bottle neck problem for the production of HDI and rigid-flex products. In addition, it can achieve new production of TFT LCD.

On the other hand, after acquisition of Roll to Roll machinery equipment into the new plant, the Group can continuously develop and produce more thin and high density FPC and FPCA products. The planned production capacity of FPC and FPCA in the new plant of Suzhou Intellicircuit will be increased by about 100,000 square feet per month. It can fulfill the coming expected demand for mobile phones and can provide value added services to the Group's customers.

The Board considers that it is the Group's priority at this stage to expand and enhance the operations of its headquarter in Suzhou so as to strengthen the Group's competitiveness, to maintain and continue expanding its customer base. As such, the Board has decided to first apply the funds previously planned to be used for the Group's investment plan in the Northern China, which amounted to approximately US$16.6 million, to invest in the development of the Suzhou plants. The details of the change of use of proceeds are set out in the section headed "USE OF PROCEEDS RAISED BY ISSUE OF SHARES" below.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2006, the interests of the directors and chief executive of the Company in the 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 of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name of director/ chief executive	Name of Group member/associated corporation	Capacity/ nature of interest	Total number and class of shares	Approximate percentage of interest
Mr. Lin Cheng Hung	The Company	Interest of controlled corporation *(Note 2)*	4,611,989 ordinary shares of HK$0.10 each (each a "Share") (L)	0.369%
	The Company	Beneficial owner	9,431,452 Shares (L)	0.755%
	Vertex Precision Electronics Inc. ("Vertex")	Beneficial owner	1,583,222 shares of NT$10 each (L)	0.552%
	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	The Company	Beneficial owner	2,700,243 Shares (L)	0.216%
	Vertex	Beneficial owner	6,000 shares of NT$10 each (L)	0.002%
Mr. Huang Lien Tsung	The Company	Beneficial owner	746,292 Shares (L)	0.060%
	Vertex	Beneficial owner	15,000 shares of NT$10 each (L)	0.005%
	Vertex	Interest of spouse *(Note 4)*	15,107 shares of NT$10 each (L)	0.005%

Name of Director	Name of Group member/associated corporation	Capacity/ nature of interest	Total number and class of shares	Approximate percentage of interest
Mr. Lee Cheng Few	The Company	Beneficial owner	328,365 Shares (L)	0.026%
	Vertex	Beneficial owner	151,946 shares of NT$10 each (L)	0.053%
	Vertex	Interest of spouse *(Note 5)*	433,018 shares NT$10 each (L)	0.151%
Mr. Chou Tsan Hsiung	Vertex	Beneficial owner	97,000 shares of NT$10 each (L)	0.034%
	Vertex	Interest of spouse *(Note 6)*	141,842 shares NT$10 each (L)	0.049%
Mr. Nguyen Duc Van	The Company	Beneficial owner	273,638 shares (L)	0.022%

Notes:

1. The letter "L" denotes the person's long positions in the shares, underlying shares and debentures of the Company or the relevant associated corporation.

2. Mr. Lin Cheng Hung was the registered shareholder of 50% of the interest in L.P.P. Holding Ltd. ("LPP Holding"), which was a shareholder of the Company, and he was the sole director of LPP Holding. Under the SFO, Mr. Lin Cheng Hung was deemed to be interested in all the Shares held by LPP Holding.

3. These shares were registered under the name of Ms. Lin Ying-Chi, the wife of Mr. Lin Cheng Hung. Under the SFO, Mr. Lin Cheng Hung was deemed to be interested in all the shares in which Ms. Lin Ying-Chi was interested.

4. These Shares were registered under the name of Ms. Chung Man-Chu, the wife of Mr. Huang Lien Tsung. Under the SFO, Mr. Huang Lien Tsung was deemed to be interested in all the Shares in which Ms. Chung Man-Chu was interested.

5. These shares were registered under the name of Ms. Lee SCH Winnie Chwen, the wife of Mr. Lee Cheng Few. Under the SFO, Mr. Lee Cheng Few was deemed to be interested in all the shares in which Ms. Lee SCH Winnie Chwen was interested.

6. These shares were registered under the name of Ms. Chou, Lee Hsiung Chiao, the wife of Mr. Chou Tsan Hsiung. Under the SFO, Mr. Chou Tsan Hsiung was deemed to be interested in all the shares in which Ms. Chou, Lee Hsiung Chiao was interested.

Other than as disclosed above, none of the directors or the chief executive of the Company 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 30 June 2006 which were required to be recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Period was the Company or any of its holding companies, 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 or any of its holding companies, 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 Period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the following entities, other than a director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares	Percentage of the issued share capital
Century Champion Group Limited ("Century Champion")	Beneficial owner	641,610,298 Shares (L)	51.33%
Vertex *(note 2)*	Interest of controlled corporation	641,610,298 Shares (L)	51.33%
PMA Capital Management Ltd.	Investment manager	78,177,500 Shares (L)	6.25%
Deutsche Bank Aktiengesellschaft	Person having a security interest	77,495,000 Shares (L)	6.20%

Notes:

1. The letter "L" denotes the entity's long positions in the Shares and underlying Shares and the letter "S" denotes the entity's short positions in the Shares and underlying Shares.

2. These 641,610,298 Shares were registered in the name of and beneficially owned by the Century Champion, approximately 93.28% of its equity interest is directly held by Vertex and approximately 6.72% of its equity interest is indirectly held by Vertex though Chia-Tung Investment Co. Ltd. Under the SFO, Vertex was deemed to have a long position in respect of the 641,610,298 Shares held by Century Champion.

Other than as disclosed above, the Company has not been notified by any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the Shares and underlying Shares which was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2006.

USE OF PROCEEDS RAISED BY ISSUE OF SHARES

The Company 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 originally allocated for purchase of machinery and equipment for the Group's Suzhou plants have been used in accordance with the section headed "Future plans and prospects and use of proceeds" set out in the prospectus issued by the Company dated 28 September 2005 ("Prospectus"). It was stated that about US$10.0 million out of the Net Proceeds would 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 would be used for the construction of a new manufacturing plant for the production of FPC, FPCA, PCB and PCBA in Northern China. The Directors believe that the construction 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 plants 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 was reduced to about US$16.6 million. An announcement dated 23 December 2005 was made by the Company in this connection. Subsequently, as disclosed in an announcement dated 15 September 2006, the Company decided to use US$14.6 million out of the said approximate sum of US$16.6 million initially planned to be applied in the development of the Northern China plant for the purchase of machinery and equipment for increasing the production capacity of HDI PCB, TFT LCD PCB and rigid-flex in Suzhou plants. The remaining amount of approximately US$2.0 million will be invested in the purchase of machinery and equipment for increasing the assembly capacities for the assembly of electronic component modules and supporting finished products of the Suzhou plants. The directors of the Company take the view that such revised 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) US$ (million)	Changes US$ (million)	Use of proceeds (revised) US$ (million)	Use of proceeds up to 30 June 2006 (actual) US$ (million)	Balance US$ (million)
Purchase of machinery and equipment for the Group's Suzhou plants	10.0	3.6	13.6	(10.8)	2.8
Construction of a manufacturing plant for the production of FPC, FPCA, PCB and PCBA in Northern China	20.2	(20.2)	—	—	—
Purchase of machinery and equipment for increasing the production capacity of HDI PCB, TFT LCD PCB and rigid-flex in Suzhou plants	—	14.6	14.6	—	14.6
Purchase of machinery and equipment for increasing assembly capacities for the assembly of electronic component modules and supporting finished products in Suzhou plants	—	2.0	2.0	—	2.0
	30.2	—	30.2	(10.8)	19.4

Up to 30 June 2006, an amount of about US$10.8 million has been used to pay for the acquisition of machinery and equipment for the Group's Suzhou plants. Given that the actual Net Proceeds amounted to US$30.6 million, the remaining balance of the Net Proceeds of approximately US$19.8 million has 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 table above.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities tranasactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 and the Company is not aware of any non-compliance by any directors with the required standard set out in the Model Code.

CODE ON CORPORATE GOVERNANCE

During the Period, the Company has fully complied with the Code Provisions of 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 should be subject to re-election by shareholders at the first general meeting after their appointment while the articles of association of the Company provided that any directors so appointed shall hold office until the next annual general meeting of the Company. Amendments to the relevant provision of the articles of association of the Company were approved at the annual general meeting of the Company held on Tuesday, 23 May 2006 so that the provisions of the articles of association of the Company are consistent with Code Provision A.4.2.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

During the Period, the Company has compiled with the provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that sufficient number of independent non-executive directors has been appointed by the Company and that at least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise.

Furthermore, in compliance with the requirements of the CG Code and Rule 3.21 of the Listing Rules, 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.

Mr. Lee Ka Leung, Daniel retired as an independent non-executive director and the chairman of the audit committee of the Company with effect from 23 May 2006 due to personal reasons. Mr. Chow Chi Tong was appointed as an independent non-executive director and the chairman of the audit committee on the same date.

Mr. Tung Tat Chiu, Michael resigned as an independent non-executive director and a member of the audit committee and the remuneration committee of the Company with effect from 1 September 2006 due to personal reasons. Professor Liao Kuang Sheng was appointed as an independent non-executive director and a member of the audit committee and the remuneration committee on the same date.

The Board would like to show its sincere gratitude to the contribution made by Mr. Lee Ka Leung, Daniel and Mr. Tung Tat Chiu, Michael to the Company in various aspects including business development and corporate management.

The audit committee of the Company comprises Mr. Chow Chi Tong and Professor Liao Kuang Sheng, being independent non-executive directors and Mr. Chou Tsan Hsiung, a non-executive director. Currently, Mr. Chow Chi Tong is the chairman of the audit committee.

REVIEW OF ACCOUNTS

The audit committee has reviewed, with the management, the accounting principles and policies and financial reporting adopted by the Group, and the unaudited interim financial statements of the Company for the Period and recommended its adoption by the Board. In addition, Deloitte Touche Tohmatsu has reviewed the unaudited interim financial results of the Company for the Period in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements for the Period was approved by the Board on 15 September 2006.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Directors considered that the Company had maintained a sufficient public float since 10 October 2005, being the listing date of the Shares on the Main Board of the Stock Exchange.

On behalf of the Board
Lin Cheng Hung
Chairman

Hong Kong, 15 September 2006

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF GLOBAL FLEX HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by Global Flex Holdings Limited to review the interim financial report set out on pages 21 to 32.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement for the six months ended 30 June 2005 and the comparative condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2005 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 September 2006

Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	NOTES	Six months ended 30 June **2006** US$ (unaudited)	2005 US$ (unaudited)
Revenue	3	**111,559,071**	79,511,172
Cost of sales		**(96,334,899)**	(65,922,355)
Gross profit		**15,224,172**	13,588,817
Other income		**1,338,406**	910,013
Distribution costs		**(3,802,797)**	(1,798,693)
Administrative expenses		**(4,713,033)**	(2,541,611)
Finance costs		**(2,652,303)**	(1,293,186)
Profit before taxation		**5,394,445**	8,865,340
Income tax expense	4	**(770,598)**	(1,054,273)
Profit for the period	5	**4,623,847**	7,811,067
Dividends	6	**4,354,839**	—
Earnings per share of HK$0.10 each (each a “Share”)	7		
– Basic		**0.37 US cents**	0.62 US cents

Condensed Consolidated Balance Sheet

As at 30 June 2006

	NOTES	30 June 2006 US$ (unaudited)	31 December 2005 US$ (audited)
Non-current assets			
Property, plant and equipment	8	**71,315,870**	65,967,552
Prepaid lease payments – non-current portion		**1,243,562**	1,233,441
Deposits paid for acquisition of property, plant and equipment		**839,827**	1,309,292
Available-for-sale investment		**22,008**	22,008
		73,421,267	68,532,293
Current assets			
Inventories		**34,945,896**	32,686,107
Trade and other receivables	9	**90,834,612**	72,728,968
Prepaid lease payments - current portion		**21,988**	21,678
Held for trading investment		**2,505,161**	—
Pledged bank deposits		**29,162,783**	28,645,619
Bank balances and cash		**35,038,806**	46,318,124
		192,509,246	180,400,496
Current liabilities			
Trade and other payables	10	**55,106,086**	54,910,302
Tax liabilities		**350,968**	774,937
Bank and other borrowings – due within one year		**99,160,392**	83,578,112
		154,617,446	139,263,351
Net current assets		**37,891,800**	41,137,145
Total assets less current liabilities		**111,313,067**	109,669,438
Non-current liability			
Bank and other borrowings – due after one year		**5,002,752**	4,932,182
		106,310,315	104,737,256
Capital and reserves			
Share capital	11	**16,129,032**	16,129,032
Reserves		**90,181,283**	88,608,224
		106,310,315	104,737,256

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Share capital US$	Share premium US$	Merger reserve US$	Statutory reserve US$	Exchange reserve US$	Accumulated profits US$	Total US$
As at 1 January 2005	32,000,000	—	—	2,917,547	(8,094)	22,733,231	57,642,684
Exchange difference on translation of foreign operations recognised directly in equity	—	—	—	—	(1)	—	(1)
Profit for the period	—	—	—	—	—	7,811,067	7,811,067
Total recognised income and expense for the period	—	—	—	—	(1)	7,811,067	7,811,066
As at 30 June 2005 and 1 July 2005	32,000,000	—	—	2,917,547	(8,095)	30,544,298	65,453,750
Exchange difference on translation of foreign operations recognised directly in equity	—	—	—	—	1,157,597	—	1,157,597
Profit for the period	—	—	—	—	—	6,378,245	6,378,245
Total recognised income and expense for the period	—	—	—	—	1,157,597	6,378,245	7,535,842
Issue of shares at premium through initial public offer	3,225,806	29,677,418	—	—	—	—	32,903,224
Share issue expenses	—	(1,155,560)	—	—	—	—	(1,155,560)
Effect of group reorganisation	(31,987,096)	—	31,987,096	—	—	—	—
Effect of capitalisation issue	12,890,322	(12,890,322)	—	—	—	—	—
Transfer	—	—	—	1,671,280	—	(1,671,280)	—
As at 31 December 2005 and 1 January 2006	16,129,032	15,631,536	31,987,096	4,588,827	1,149,502	35,251,263	104,737,256
Exchange differences on translation of foreign operations recognised directly in equity	—	—	—	—	1,304,051	—	1,304,051
Profit for the period	—	—	—	—	—	4,623,847	4,623,847
Total recognised income for the period	—	—	—	—	1,304,051	4,623,847	5,927,898
Dividend paid	—	—	—	—	—	(4,354,839)	(4,354,839)
As at 30 June 2006	**16,129,032**	**15,631,536**	**31,987,096**	**4,588,827**	**2,453,553**	**35,520,271**	**106,310,315**

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	US$	US$
	(unaudited)	(unaudited)
Net cash (used in) from operating activities		
(Increase) decrease in inventories	**(3,501,068)**	2,024,917
(Increase) decrease in trade and other receivables	**(18,105,644)**	6,135,038
Others in operating activities	**12,458,666**	(3,746,852)
	(9,148,046)	4,413,103
Net cash used in investing activities		
Purchase of property, plant and equipment	**(8,076,686)**	(7,434,432)
Others in investing activities	**(3,022,325)**	852,407
	(11,099,011)	(6,582,025)
Net cash from financing activities		
New bank borrowings	**101,130,210**	81,680,048
Repayment of bank borrowings	**(86,743,755)**	(69,758,078)
Others in financing activities	**(5,740,749)**	(1,919,786)
	8,645,706	10,002,184
Net (decrease) increase in cash and cash equivalents	**(11,601,351)**	7,833,262
Cash and cash equivalents at beginning of the period	**46,318,124**	6,964,986
Effect of foreign exchange rate changes	**322,033**	—
Cash and cash equivalents at end of the period represented by bank balances and cash	**35,038,806**	14,798,248

1. GROUP REORGANISATION AND BASIS OF PREPARATION

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 5 July 2005. The shares of the Company have been listed on the Stock Exchange since 10 October 2005. Details of the Group Reorganisation were set out in the Prospectus.

The Group resulting from the Group Reorganisation is regarded as a continuing entity and is regarded as business under common control. Accordingly, the unaudited condensed consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the current structure of the Group had been in existence for the six months ended 30 June 2005.

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies adopted in the unaudited condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs") that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 March 2006.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating divisions – flexible printed circuit boards ("FPC"), rigid printed circuit boards ("PCB"), flexible printed circuit boards assembly ("FPCA") and rigid printed circuit boards assembly ("PCBA"). These divisions are the basis on which the Group reports its primary segmental information.

3. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

Principal activities of the Group are manufacturing and trading of:

- FPC
- PCB
- FPCA
- PCBA

	FPC		PCB		FPCA		PCBA		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	US$	US$	**US$**	US$	**US$**	US$	**US$**	US$	**US$**	US$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
REVENUE										
External sales	**9,213,931**	6,128,817	**32,469,452**	19,422,285	**55,555,503**	52,922,657	**14,320,185**	1,036,913	**111,559,071**	79,511,172
RESULTS										
Segment results	**231,420**	82,642	**2,020,936**	(2,011,924)	**7,839,067**	13,586,916	**1,329,952**	132,490	**11,421,375**	11,790,124
Unallocated corporate income									**1,338,406**	910,013
Unallocated corporate expenses									**(4,713,033)**	(2,541,611)
Finance costs									**(2,652,303)**	(1,293,186)
Profit before taxation									**5,394,445**	8,865,340
Income tax expense									**(770,598)**	(1,054,273)
Profit for the period									**4,623,847**	7,811,067

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arise in, nor is derived from, Hong Kong. The tax charge for the Period arose from the taxation on its subsidiaries located in the People's Republic of China ("PRC").

Pursuant to the relevant laws and regulations in the PRC, 佳通科技（蘇州）有限公司 (Global Flex (Suzhou) Co. Ltd.) ("Global Flex (Suzhou)") and 佳永電子（蘇州）有限公司 (Forever Jade Electronics (Suzhou) Co., Ltd.) ("Forever Jade"), subsidiaries of the Company, are entitled to the exemptions from the PRC Foreign Enterprise Income tax ("FEIT") for two years starting from their 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%. Forever Jade has not yet entered into its first profit-making year in 2006. Accordingly, no provision for the PRC income tax has been made on Forever Jade.

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

5. PROFIT FOR THE PERIOD

Profit for the Period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2006	2005
	US$	US$
	(unaudited)	(unaudited)
Write down of inventories	**1,241,279**	—
Depreciation and amortisation of property, plant and equipment	**4,161,892**	2,998,648
Interest on bank and other borrowings wholly repayable within five years	**2,652,303**	1,293,186
Release of prepaid lease payments	**7,529**	7,384
Bank interest income	**(528,495)**	(29,152)

6. DIVIDENDS

During the Period, dividends payable amounting to US$4,354,839 as final dividends for the year ended 31 December 2005 was paid to the shareholders of the Company.

The directors do not recommend the payment of an interim dividend for the Period (2005: nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per Share for the Period is based on the profit for the Period of US$4,623,847 (2005: US$7,811,067) and on the 1,250,000,000 Shares in issue (2005: 1,000,000,000 Shares deemed to be issued throughout the six months ended 30 June 2005 assuming the Group Reorganisation and the subsequent capitalisation issue has been completed on 1 January 2005).

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent US$8,546,000 (1.1.2005 to 31.12.2005: US$15,489,000) for expanding the Group's operations.

9. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables:

	30 June 2006 US$ (unaudited)	31 December 2005 US$ (audited)
Trade receivables:		
0-30 days	**26,834,118**	23,166,763
31-60 days	**21,428,816**	19,932,283
61-90 days	**13,597,887**	12,206,124
91-120 days	**8,496,533**	7,795,895
121-150 days	**4,828,344**	2,856,401
Over 150 days	**7,068,619**	1,516,026
	82,254,317	67,473,492
Other receivables	**8,580,295**	5,255,476
	90,834,612	72,728,968

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables:

	30 June 2006 US$ (unaudited)	31 December 2005 US$ (audited)
Trade payables:		
0-90 days	**40,669,151**	34,793,841
91-120 days	**4,515,707**	4,146,871
121-180 days	**1,504,850**	1,880,511
181-365 days	**11,056**	729,910
Over 365 days	**—**	147,149
	46,700,764	41,698,282
Other payables	**8,405,322**	13,212,020
	55,106,086	54,910,302

11. SHARE CAPITAL

	Notes	Number of Shares	Nominal value HK$
Ordinary shares of HK$0.1 each			
Authorised:			
As at 1 January 2005 and 30 June 2005		1,000,000	100,000
Increase in authorised share capital	(i)	4,999,000,000	499,900,000
As at 31 December 2005 and 30 June 2006		5,000,000,000	500,000,000
Shown in consolidated financial statements as			US$64,561,129
Issued and fully paid:			
As at 1 January 2005 and 30 June 2005		1	—
issue of shares on the Group Reorganisation	(ii)	999,999	100,000
Issue of shares through initial public offer	(iii)	250,000,000	25,000,000
Capitalisation issue	(iv)	999,000,000	99,900,000
As at 31 December 2005 and 30 June 2006		1,250,000,000	125,000,000
Shown in consolidated financial statements as			US$16,129,032

(i) Pursuant to the written resolutions of the then 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.

(ii) On 5 July 2005, the Company allotted and issued, credited as fully paid, 999,999 Shares for the acquisition of Global Technology International Limited pursuant to the Group Reorganisation.

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

(iv) Pursuant to a written resolution of the then 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 placing 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 on a pro-rata basis to the Company's shareholder(s) whose name(s) appeared in the register of members of the Company on 7 July 2005.

12. CAPITAL COMMITMENTS

	30 June 2006 US$ (unaudited)	31 December 2005 US$ (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in condensed consolidated financial statements	**1,881,143**	771,952

13. RELATED PARTY TRANSACTION

During the Period, the Group had the following significant transaction with related party:

		Six months ended 30 June	
Name of related party	**Nature of transactions**	**2006 US$ (unaudited)**	2005 US$ (unaudited)
Mr. Hsu Chung, a director	Rentals paid	**8,705**	13,465
Beshine Technologies Inc.	Purchase of materials	**—**	638,663

Beshine Technologies Inc. is indirectly controlled by Mr. Lin Cheng Hung, a director of the Company

Compensation of key management personnel

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

	Six months ended 30 June	
	2006 US$ (unaudited)	2005 US$ (unaudited)
Short-term benefits	**282,080**	172,052

The emoluments of Directors and key management were recommended by the remuneration committee of the Company having regard to the performance of the individuals and also market trends.