Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Vertex Precision Electronics Inc. ("Vertex"), a company incorporated in Taiwan with limited liability and listed on Gretai Securities market of the Republic of China. The Company's immediate holding company is Century Champion Group Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of annual report.

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 31.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) - INT 8	Scope of HKFRS 2[4]
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions[7]
HK(IFRIC) - INT 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 March 2006

4 Effective for annual periods beginning on or after 1 May 2006

5 Effective for annual periods beginning on or after 1 June 2006

6 Effective for annual periods beginning on or after 1 November 2006

7 Effective for annual periods beginning on or after 1 March 2007

8 Effective for annual periods beginning on or after 1 January 2008

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with 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 and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 represents property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress are carried at cost, less any identified impairment losses. Construction in progress is classified to the appropriate category of property, plant and equipment when competed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commence when the assets are ready for their intended use.

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.

Share-based payment transactions

Shares granted by the controlling shareholder

The fair value of services received determined by reference to the fair value of shares granted at the grant date is recognised as an expense in full at the grant date when the shares granted vested immediately, with a corresponding increase in equity (capital reserve).

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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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 consolidated 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 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.

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 terms 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 terms.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group as lessee

Rentals payables under operating leases are charged to profit or loss on a straight line basis over the terms 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 terms 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 in the respective 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

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 when employees have rendered service entitling them to the contributions.

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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 and balances) 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-for-maturity investments.

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 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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest 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.

Notes to the Financial Statements

For the year ended 31 December 2006

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank deposits and balances, bank borrowings, trade and other receivables and trade and other 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. 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 2006 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 and the receivable balance amounted to USD75,634,518, amounted to 59% of the total trade receivables of the Group. In order to minimise the credit risk, management 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 deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits and bank borrowings which carry interest at fixed rates. Fixed rate interest expose the Group to fair value interest rate risk.

The Group's cash flow interest rate risk relates primarily to floating rates interest of bank balances.

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

Several subsidiaries of the Company operate in the People's Republic of China (the "PRC"), with transactions in renminbi. Therefore, the Group is exposed to foreign currency risk.

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

Notes to the Financial Statements

For the year ended 31 December 2006

5. 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:

	2006	2005
	US$	US$
Flexible printed circuit boards	**19,146,234**	17,053,763
Rigid printed circuit boards	**69,970,654**	50,522,526
Flexible printed circuit boards assembly	**165,563,947**	99,081,343
Rigid printed circuit boards assembly	**60,856,047**	10,242,639
	315,536,882	176,900,271

6. 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

Notes to the Financial Statements

For the year ended 31 December 2006

6. SEGMENTAL INFORMATION *(Continued)*

	Flexible printed circuit boards		Rigid printed circuit boards		Flexible printed circuit boards assembly		Rigid printed circuit boards assembly		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	US$	US$	**US$**	US$	**US$**	US$	**US$**	US$	**US$**	US$
REVENUE										
External sales	**19,146,234**	17,053,763	**69,970,654**	50,522,526	**165,563,947**	99,081,343	**60,856,047**	10,242,639	**315,536,882**	176,900,271
RESULTS										
Segment results	**384,500**	1,171,323	**2,268,646**	1,360,877	**24,680,454**	20,781,036	**1,518,345**	699,698	**28,851,945**	24,012,934
Unallocated income									**2,954,314**	2,481,529
Unallocated expenses									**(11,616,788)**	(7,051,578)
Finance costs									**(6,182,271)**	(3,019,681)
Profit before taxation									**14,007,200**	16,423,204
Income tax expense									**(1,619,195)**	(2,233,892)
Profit for the year									**12,388,005**	14,189,312
ASSETS										
Segment assets	**82,868,264**	57,956,860	**73,196,064**	72,149,572	**67,741,709**	36,503,237	**54,139,732**	4,959,784	**277,945,769**	171,569,453
Unallocated assets									**61,766,907**	77,363,336
Consolidated total assets									**339,712,676**	248,932,789
LIABILITIES										
Segment liabilities	**27,542,018**	18,378,971	**22,150,919**	10,454,291	**33,076,770**	14,977,514	**20,389,678**	11,099,526	**103,159,385**	54,910,302
Unallocated liabilities									**119,019,908**	89,285,231
Consolidated total liabilities									**222,179,293**	144,195,533
OTHER INFORMATION										
Allowance for bad and doubtful debts	**430,348**	220,435	**314,835**	328,280	**370,957**	179,050	**254,330**	13,937	**1,370,470**	741,702
Write-down for inventories	**1,419,540**	381,104	**776,599**	256,028	**1,130,540**	77,838	**886,203**	99	**4,212,882**	715,069
Capital additions	**5,110,051**	4,058,592	**7,441,532**	1,819,319	**3,366,508**	1,085,162	**2,772,294**	8,526,292	**18,690,385**	15,489,365
Depreciation of property, plant and equipment and release of prepaid lease payments	**2,005,103**	2,080,190	**2,915,756**	3,020,837	**1,328,990**	872,008	**1,104,290**	199,044	**7,354,139**	6,172,079

Notes to the Financial Statements

For the year ended 31 December 2006

6. SEGMENTAL INFORMATION *(Continued)*

Geographical segments

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

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

	2006	2005
	US$	US$
The PRC, including Hong Kong	**271,323,560**	135,365,202
United States of America	**12,823,013**	11,106,477
South East Asia	**13,122,542**	23,332,176
Europe	**2,069,854**	2,072,802
Taiwan	**4,408,211**	1,502,234
Others	**11,789,702**	3,521,380
	315,536,882	176,900,271

As at 31 December 2006 and 2005, 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.

7. OTHER INCOME

	2006	2005
	US$	US$
Interest income	**1,579,714**	242,603
Rental income	**7,684**	7,398
Sales of scrap materials	**1,198,287**	660,244
Tax incentive payment received	**—**	1,201,399
Net exchange gain	**—**	74,698
Write-back of other payables	**—**	177,705
Others	**168,629**	117,482
	2,954,314	2,481,529

Notes to the Financial Statements

For the year ended 31 December 2006

8. FINANCE COSTS

	2006	2005
	US$	US$
Interest on:		
- bank borrowings wholly repayable within five years	**6,182,271**	3,001,601
- other borrowings	**—**	18,080
	6,182,271	3,019,681

9. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arose, or was 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)"), Forever Jade Electronics (Suzhou) Company Limited ("Forever Jade (Suzhou)") and Global Flex (Suzhou) Plant II Co., Ltd ("Global Flex (Suzhou) Plant II"), PRC subsidiaries of the Company, are 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 ("Tax Holidays"). The first profit-making year of Global Flex (Suzhou) and Forever Jade (Suzhou) is the year ended 31 December 2002 and 31 December 2006, respectively. 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%. Global Flex (Suzhou) Plant II was in the pre-operating stage and did not enjoy the Tax Holidays in 2006. Accordingly, the profit generated by Global Flex (Suzhou) Plant II during the year ended 31 December 2006 was subject to FEIT at a rate of 27%.

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

	2006	2005
	US$	US$
Profit before taxation	**14,007,200**	16,423,204
Tax at the domestic income tax rate of 27%	**3,781,943**	4,434,265
Tax effect of income not taxable for tax purpose	**(419,441)**	(437,843)
Tax effect of expenses not deductible for tax purpose	**980,201**	899,264
Effect of tax exemptions granted to the PRC subsidiaries	**(2,723,508)**	(2,661,794)
Tax charge for the year	**1,619,195**	2,233,892

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.

Notes to the Financial Statements

For the year ended 31 December 2006

10. PROFIT FOR THE YEAR

	2006	2005
	US$	US$
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
- salaries and allowances	**23,821,981**	17,317,129
- retirement benefits scheme contributions	**1,247,980**	1,881,049
- Share-based payment expenses	**1,083,871**	—
Total staff costs	**26,153,832**	19,198,178
Auditors' remuneration	**157,629**	111,918
Allowance for bad and doubtful debts	**1,370,470**	741,702
Write-down of inventories	**4,212,882**	715,069
Release of prepaid lease payments	**32,445**	9,811
Cost of inventories recognised as an expense	**274,811,195**	148,727,743
Depreciation of property, plant and equipment	**7,321,694**	6,162,268
Listing expenses charged to the income statement	**—**	1,192,831
Loans handling fee paid	**—**	82,550
Net exchange loss (gain)	**1,265,776**	(63,774)
Write-back of allowance for bad and doubtful debts	**—**	(129,354)

Notes to the Financial Statements

For the year ended 31 December 2006

11. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

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

2006

	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$	Chow Chi Tong US$	Liao Kuang Sheng US$	Total US$
Fees	—	—	—	—	—	—	—	—	—	—	—	—
Other emoluments												
Salaries and other benefits	146,718	159,588	117,390	23,226	23,226	23,226	23,226	9,161	15,484	14,065	7,742	563,052
Bonus	75,000	75,000	41,250	—	—	—	—	—	—	—	—	191,250
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payment expense	—	144,516	18,065	—	—	21,678	—	—	—	—	—	184,259
Total emoluments	221,718	379,104	176,705	23,226	23,226	44,904	23,226	9,161	15,484	14,065	7,742	938,561

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										
Salaries and other benefits	128,081	157,834	58,631	11,613	11,613	11,613	5,806	11,613	11,613	418,417
Bonus	49,836	41,700	—	—	—	—	—	—	—	81,536
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

The five highest paid individuals included three directors (2005: two), details of whose emoluments are included above. The emoluments of the remaining two individuals (2005: three) are as follows:

	2006 **US$**	2005 US$
Salaries and other emoluments	**208,582**	250,490
Bonus	**95,000**	165,000
Retirement benefit scheme contributions	**—**	—
Share-based payment expenses	**144,516**	—
	447,898	415,490

Notes to the Financial Statements

For the year ended 31 December 2006

11. DIRECTORS' AND EMPLOYEES' REMUNERATIONS *(Continued)*

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
Nil to HK$1,000,000	**—**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	—
	2	3

For the years ended 31 December 2006 and 2005, 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.

12. DIVIDEND

	2006 US$	2005 US$
Ordinary shares:		
Final, paid - HK2.7 cents (2005: nil)	**4,354,839**	—

The final dividend of HK2.86 cents per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. BASIC EARNINGS PER SHARE

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

	2006 US$	2005 US$
Earnings for the purposes of basic earnings per share	**12,388,005**	14,189,312
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,250,000,000**	1,056,849,315

Notes to the Financial Statements

For the year ended 31 December 2006

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	US$	US$	US$	US$	US$	US$
COST						
At 1 January 2005	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
Exchange adjustments	612,295	2,465,936	28,286	99,506	21,692	3,227,715
Additions	685,681	11,663,294	348,408	2,113,908	3,879,094	18,690,385
Transfer	997,669	127,646	—	455,472	(1,580,787)	—
At 31 December 2006	18,164,308	78,165,785	1,109,785	5,252,690	2,882,245	105,574,813
DEPRECIATION						
At 1 January 2005	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
Exchange adjustments	117,756	525,797	10,727	43,197	—	697,477
Provided for the year	846,995	5,912,574	100,535	461,590	—	7,321,694
At 31 December 2006	3,628,987	20,065,281	389,259	1,624,805	—	25,708,332
CARRYING VALUES						
At 31 December 2006	14,535,321	58,100,504	720,526	3,627,885	2,882,245	79,866,481
At 31 December 2005	13,204,427	50,281,999	455,094	1,463,786	562,246	65,967,552

Notes to the Financial Statements

For the year ended 31 December 2006

14. 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%

The Group has pledged property, plant and equipment having a net book value of US$16,899,538 (2005: US$31,678,922) to secure general banking facilities granted to the Group.

15. PREPAID LEASE PAYMENTS

	2006	2005
	US$	US$
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**4,035,273**	1,255,119
Analysed for reporting purposes as:		
Current asset	**428,794**	21,678
Non-current asset	**3,606,479**	1,233,441
	4,035,273	1,255,119

The Group has pledged prepaid lease payments having a net book value of US$222,134 (2005: US$267,307) to secure general banking facilities granted to the Group.

16. 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.

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For the year ended 31 December 2006

17. INVENTORIES

	2006	2005
	US$	US$
Raw materials	**20,891,534**	16,207,910
Work in progress	**8,559,539**	7,739,537
Finished goods	**19,154,528**	8,738,660
	48,605,601	32,686,107

18. 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 trade receivables as at each of the balance sheet date are as follows:

	2006	2005
	US$	US$
Trade receivables:		
0 - 30 days	**44,360,145**	23,166,763
31 - 60 days	**40,696,436**	19,932,283
61 - 90 days	**25,613,542**	12,206,124
91 - 120 days	**9,341,355**	7,795,895
121 - 150 days	**5,134,024**	2,856,401
Over 150 days	**3,963,804**	1,516,026
	129,109,306	67,473,492
Other receivables	**14,010,187**	5,255,476
	143,119,493	72,728,968

The fair values of the trade and other receivables approximate the corresponding carrying amounts.

19. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

The Group has pledged bank deposits to secure the general banking facilities granted to the Group.

The bank deposits and balances carry fixed interest rate of 5.02% to 6.12% per annum (2005: 3% to 3.5% per annum). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings. The fair values of bank deposits, bank balance and cash approximate to the corresponding carrying amounts.

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For the year ended 31 December 2006

20. TRADE AND OTHER PAYABLES

The aged analysis of the trade payables as at each of the balance sheet date are as follows:

	2006	2005
	US$	US$
Trade payables:		
0 - 90 days	**78,793,089**	34,793,841
91 - 120 days	**7,422,400**	4,146,871
121 - 180 days	**3,145,673**	1,880,511
181 - 365 days	**1,141,744**	729,910
Over 365 days	**650,315**	147,149
	91,153,221	41,698,282
Other payables	**12,128,049**	13,212,020
	103,281,270	54,910,302

The fair values of the trade and other payables approximate to the corresponding carrying amounts.

21. BANK BORROWINGS

	2006	2005
	US$	US$
Bank loans	**118,505,248**	88,510,294
Secured	**75,036,611**	61,825,634
Unsecured	**43,468,637**	26,684,660
	118,505,248	88,510,294
Carrying amount repayable:		
On demand or within one year	**114,663,379**	83,578,112
More than one year, but not exceeding two years	**3,841,869**	4,932,182
	118,505,248	88,510,294

Notes to the Financial Statements

For the year ended 31 December 2006

21. BANK BORROWINGS *(Continued)*

The Group's borrowings are denominated in foreign currencies of the relevant group entities are set out below:

	RMB
As at 31 December 2006	611,400,000
As at 31 December 2005	63,560,294

Bank loans were fixed-rate borrowings which carried interest ranging from 3.13% to 6.9% per annum (2005: from 1.93% to 5.94% per annum) and were repayable by instalments over the loan period.

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

22. SHARE CAPITAL OF THE COMPANY

	Notes	**Number of shares**	**Nominal value** HK$
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2005		1,000,000	100,000
Increase in authorised share capital	(i)	4,999,000,000	499,900,000
At 31 December 2005 and 2006		5,000,000,000	500,000,000
Issued and fully paid:			
At 1 January 2005		1	—
Issue of shares on a 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
At 31 December 2005 and 2006		1,250,000,000	125,000,000
Shown in financial statements as			US$16,129,032

Notes to the Financial Statements

For the year ended 31 December 2006

22. SHARE CAPITAL OF THE COMPANY *(Continued)*

The following changes in the share capital of the Company took place during the period from 1 January 2005 to 31 December 2006:

(i) Pursuant to the written resolution 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 of HK$0.1 each.

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

(iii) 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.

(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 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.

23. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of the then 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 10 October 2005 ("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.

As at 31 December 2006, the total number of shares available for issue in respect thereof is 125,000,000 shares, representing 10% of the total issue shares.

Notes to the Financial Statements

For the year ended 31 December 2006

23. 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.

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 2006.

24. CAPITAL RESERVE

During the year ended 31 December 2006, a controlling shareholder of the Company bestowed 15,000,000 ordinary shares in the Company to several employees of the Company. This transaction falls within one of the three types of share-based payment transaction - equity-settled share-based payment transaction and the Company measured the services rendered, and the corresponding increase in equity, directly, at the fair value of the shares given.

Notes to the Financial Statements

For the year ended 31 December 2006

25. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases was US$351,984 (2005: US$104,306).

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

	2006	2005
	US$	US$
Within one year	**245,895**	145,982
In the second to fifth year inclusive	**207,334**	66,451
	453,229	212,433

Operating lease payments represent rentals payable by the Group for its factories and staff quarters. Lease terms are negotiated for a term ranged from one to five years with fixed rentals.

The Group as lessor

Property rental income earned during the year was US$7,684 (2005: US$7,398). The properties held for rental purpose have committed tenants for a term ranged from one to three years.

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

	2006	2005
	US$	US$
Within one year	**7,684**	1,850
In the second to third year inclusive	**10,245**	—
	17,929	1,850

Notes to the Financial Statements

For the year ended 31 December 2006

26. CAPITAL COMMITMENTS

	2006	2005
	US$	US$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**12,696,171**	771,952

27. 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:

	2006	2005
	US$	US$
Property, plant and equipment	**16,899,538**	31,678,922
Prepaid lease payments	**222,134**	267,307
Trade receivables	**49,529,551**	7,242,937
Bank deposits	**13,517,139**	28,645,619

28. RETIREMENT BENEFIT SCHEME

In accordance with the relevant PRC rules and regulations, the PRC subsidiaries are required to establish defined contribution plans 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 the Group is calculated according to the level regulated by the municipal government.

The total cost charged to income of US$1,247,980 (2005: US$1,881,049) represents contributions payable to this scheme by the Group in respect of the current accounting period. As at 31 December 2006, contributions of US$386,052 (2005: US$387,743) due in respect of the reporting period had not been paid over to the scheme.

Notes to the Financial Statements

For the year ended 31 December 2006

29. RELATED PARTY DISCLOSURES

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

Name of related parties	Nature of transactions	2006 US$	2005 US$
Mr. Lin Cheng Hung, a director	Rental paid	**7,684**	—
Mr. Hsu Chung, a director	Rental paid	**20,554**	18,089
Beshine Technologies Inc.	Purchase of materials	**—**	638,663

Beshine Technologies Inc. is beneficially owned by Mr. Lin Cheng Hung.

During the year, the Group entered into an agreement to acquire machineries from Vertex with an aggregate consideration of approximately US$1,773,000. As at 31 December 2006, a deposit of US$901,000 was paid for this acquisition. Details of the transaction were set out in the Company's announcement dated 11 October 2006.

Compensation of key management personnel

The emoluments of directors and other members of key management of the Group during the year were set out in note 11.

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

Share-based payments are granted to several members of key management during the year.

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For the year ended 31 December 2006

30. SUMMARISED BALANCE SHEET OF THE COMPANY

The summarised balance sheet of the Company as at 31 December 2006 are as follows:

	Note	2006 US$	2005 US$
Assets			
Investments in subsidiaries		**55,136,256**	32,123,872
Amounts due from subsidiaries		**10,083,664**	17,544,866
Other receivables		**31,282**	1,525,548
Bank balances and cash		**6,649,407**	12,878,587
		71,900,609	64,072,873
Liability			
Other payables		**185,545**	107,742
		71,715,064	63,965,131
Capital and reserves			
Share capital		**16,129,032**	16,129,032
Reserves	(a)	**55,586,032**	47,836,099
		71,715,064	63,965,131

Notes to the Financial Statements

For the year ended 31 December 2006

30. SUMMARISED BALANCE SHEET OF THE COMPANY

Note:

(a) Reserves

	Share premium US$	Contributed surplus US$	Capital reserve US$	Accumulated profits 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
Recognition of equity-settled share-based payment expenses	—	—	1,083,871	—	1,083,871
Dividend paid	—	—	—	(4,354,839)	(4,354,839)
Profit for the year	—	—	—	11,020,901	11,020,901
At 31 December 2006	15,631,536	32,110,967	1,083,871	6,759,658	55,586,032

Notes to the Financial Statements

For the year ended 31 December 2006

31. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2006 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 Electronics (Suzhou)	The PRC	N/A	US$7,000,000	—	100%	Manufacturing and trading of rigid printed circuit boards assembly
Forever Jade Holding Limited	Samoa	Ordinary	US$7,000,000	100%	—	Inactive
Global Flex Technology (Korea) Inc.	Korea	Ordinary	WON50,000,000	—	100%	Trading of printed circuit boards
*Global Flex (Suzhou)	The PRC	N/A	US$48,000,000	—	100%	Manufacturing and trading of printed circuit boards
Global Technology International Ltd.	British Virgin Islands/ Taiwan	Ordinary	US$48,000,000	100%	—	Investment holding and trading of printed circuit boards
Value Manage International Limited	Hong Kong	Ordinary	HK$2,000,000	—	100%	Provision of administrative service
*Global Flex (Suzhou) Plant II	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.