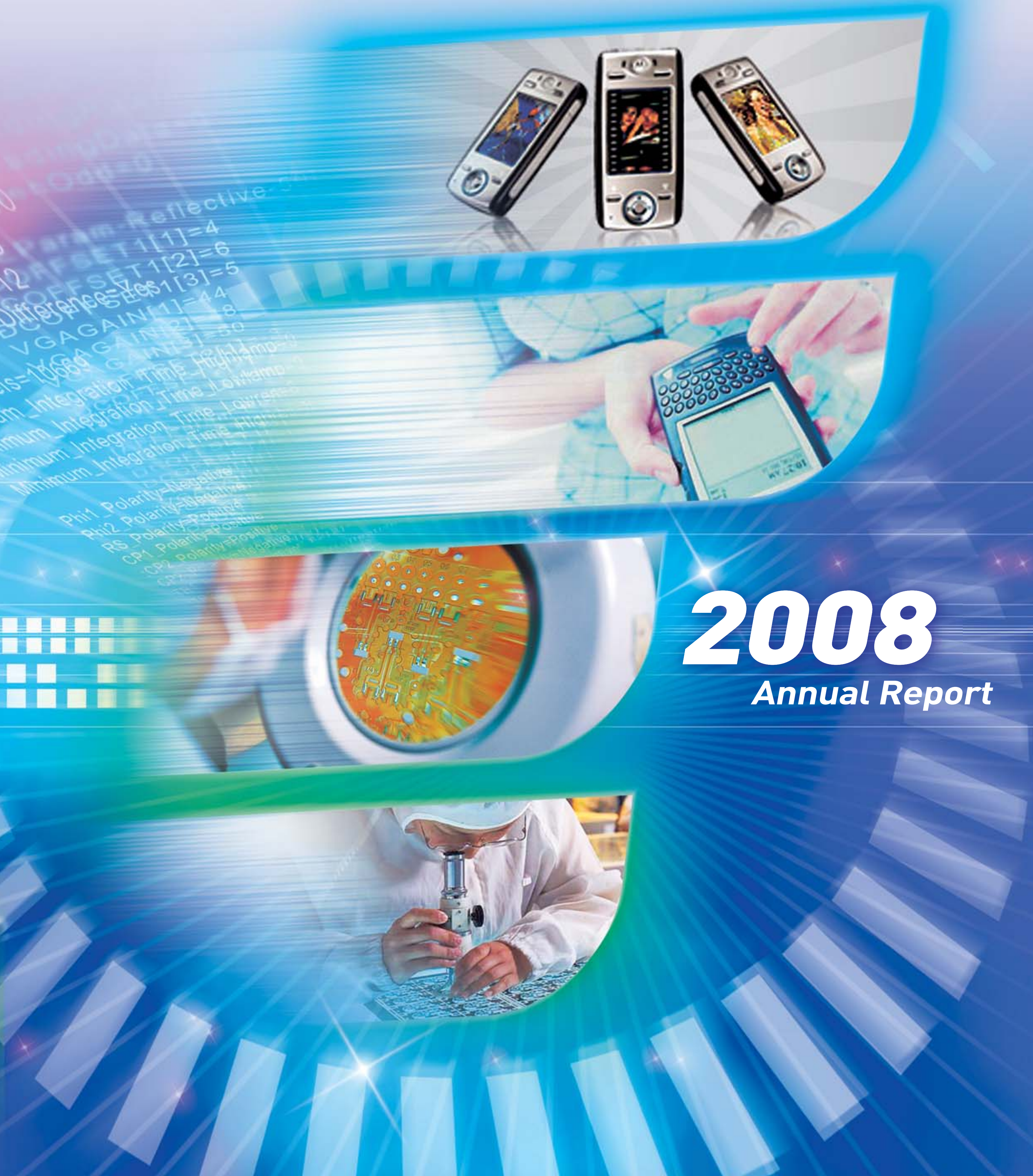
Global Flex Holdings Limited
佳邦環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 471)



2008
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chau Chi *(Chairman)*
Mr. Lin Cheng Hung
Mr. Hsu Chung
Mr. Huang Lien Tsung

Non-executive Directors

Mr. Chou Tsan Hsiung
Mr. Nguyen Duc Van
Mr. Yang Yi
Dr. Li Jun

Independent Non-executive Directors

Mr. Wang Wei-Lin
Mr. Chow Chi Tong
Mr. Yu Kam Kee, Lawrence, BBS, MBE, JP

MEMBERS OF AUDIT COMMITTEE

Mr. Chow Chi Tong *(Chairman)*
Mr. Chou Tsan Hsiung
Mr. Yu Kam Kee, Lawrence, BBS, MBE, JP

MEMBERS OF REMUNERATION COMMITTEE

Mr. Wang Wei-Lin *(Chairman)*
Mr. Chou Tsan Hsiung
Mr. Chow Chi Tong
Mr. Yu Kam Kee, Lawrence, BBS, MBE, JP

COMPANY SECRETARY

Mr. Cheung Kai Cheong, Willie, FCCA, CPA

AUTHORISED REPRESENTATIVES

Mr. Huang Lien Tsung
Mr. Cheung Kai Cheong, Willie

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAW

Chiu & Partners

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

1701-1702, 17/F, The Hong Kong Club Building
3A Chater Road, Central
Hong Kong
Tel: +852 3690 2589
Fax: +852 3690 2489
Email: info@gflex.com.hk
Website: www.gflex.com.hk

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Stock Code: 471

Chairman's Statement

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Global Flex Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2008 ("2008 Annual Report").

BUSINESS REVIEW

The Company's principal activity is investment holdings whilst its subsidiaries are mainly engaged in manufacturing and trading of printed circuit boards ("PCB").

The financial year of 2008 has been extremely difficult for us compared with year 2007. The Group recorded a total turnover of approximately US$119.3 million, a decrease of 61.7% as compared with year 2007. The total cost of sales has decreased 51.5%. There was a gross loss of US$28.8 million. The Group has also recorded substantial loss in impairment loss on trade and other receivables which amounted to US$26.7 million, an increase of 330.6% as compared with year 2007.

The Group has been facing a difficult situation this year in view of rising costs of material, the intense competition of pricing of rigid printed circuit boards products, and the global economic slowdown.

FUTURE PROSPECTS

The PCB industry has been shifted to a high-end industry, the lower end of the PCB products are fading out from the market gradually. Being one of the leading enterprises in the flexible printed circuit boards industry in the PRC, the Group will reduce the production capacity of lower end PCB products and concentrate on more high-tech PCB finished goods and assembly to cope with the market trend.

The management has spent considerably time to review the Group's operations and previously obsolete stock has been written off so as to reduce the overcapacity of the manufacturing units. The Group will concentrate its business on higher margin products and customers. It will be the management's focus in the coming year to enhance our management standard, optimize our cost structure and actively minimize the overhead.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to the business partners, customers and employees of the Group and the shareholders of the Company for their supports. On behalf of the Directors, I would like to express of my sincerity to the Group's staffs for their dedication and contribution to the Group during this difficult financial year.

For and on behalf of the Board

Wong Chau Chi
Chairman
Hong Kong, 24 April 2009

INDUSTRY REVIEW

Printed circuit boards, including flexible printed circuit boards ("FPC") and rigid printed circuit boards ("PCB"), are one of the fundamental components found in most electronic products such as mobile phones, digital cameras, computer products and consumer electronics products. To accommodate miniaturisation and increasing number of components of electronic devices, the FPC and PCB require finer circuitry and more layer count. The industry continued to grow in year 2008 but competition has also intensified and competitors have expanded their production capacity.

More and more FPC and PCB facilities are being established in China and FPC and PCB solution providers in China are becoming more competitive in the world.

BUSINESS/OPERATION REVIEW

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

The Group currently has two types of solutions, FPC solutions comprises the products of FPC and flexible printed circuit boards assembly ("FPCA"), while PCB solutions comprises the products of PCB and rigid printed circuit boards assembly ("PCBA"). The decline in turnover of FPC solutions was mainly due to the drop of market share of the major customers of the Group and the banks have tightened the credits for the Group which led to insufficient working capital. The decline in turnover of PCB solutions was mainly due to insufficient working capital and the Group has changed its operation mode. Therefore, the Group decided to shift the product structure from traditional types of PCB and FPC to new type of rigid-flex printed circuit boards, which is currently in demand in the PRC market. The Group has procured the relevant manufacture equipments and achieved the requirement of its customers.

FINANCIAL REVIEW

For the financial year ended 31 December 2008, the Group recorded a turnover of approximately US$119.3 million and loss for the year of approximately US$75.1 million as compared to turnover of approximately US$311.6 million and loss for the year approximately US$29.8 million for the year ended 31 December 2007, representing a decrease of approximately 61.7% and an increase of approximately 152.0% respectively. Loss per share was approximately US5.2 cents (2007: approximately US2.4 cents) and net assets per share of the Company was approximately US2.0 cents (2007: approximately US7.4 cents).

Turnover

The turnover of the Group for the year ended 31 December 2008 and the comparative figures of year 2007 classified by categories of the major products are set out below:

Turnover by operations

	2008		2007		Change
	US$'000	**%**	US$'000	%	%
FPC solutions					
FPCA	**66,777**	**56.0**	136,695	43.9	(51.1)
FPC	**14,613**	**12.2**	31,428	10.1	(53.5)
Total FPC solutions	**81,390**	**68.2**	168,123	54.0	(51.6)
PCB solutions					
PCBA	**12,607**	**10.6**	91,512	29.4	(86.2)
PCB	**25,340**	**21.2**	51,968	16.6	(51.2)
Total PCB solutions	**37,947**	**31.8**	143,480	46.0	(73.6)
Total	**119,337**	**100.0**	311,603	100.0	(61.7)

The Group's turnover was mainly derived from sales of FPC solutions and PCB solutions. With reference to the above table, turnover from sales of FPC solutions and sales of PCB solutions for the year ended 31 December 2008 were approximately US$81.4 million and US$37.9 million (2007: US$168.1 million and US$143.5 million) respectively, representing approximately 68.2% and approximately 31.8% of the total sales of the Group (2007: 54.0% and 46.0%) respectively. Turnover of FPC solutions and PCB solutions decreased approximately US$86.7 million and approximately US$105.5 million respectively.

The decrease of 51.1% in turnover of FPCA in year 2008 was mainly due to the continued drop of market share of a major customer of the Group which led to a reduction of demand from the customer, and further tightening of the Group's credit facilities by the banks. Net repayments of bank borrowings for the year amounted to approximately US$33.4 million, which has weakened the Group's liquidity and led to insufficient working capital for the purchase of raw materials.

On the other hand, the turnover of PCBA decreased by approximately 86.2% in year 2008, which was mainly due to the change of the Group's operation structure of PCBA. During the year, the Group increased the purchase of raw materials for PCBA, however the demand from the market has changed and the purchase orders from customers dropped. As the Group has made over-significant provision of inventory for PCBA, the gross loss of PCBA increased substantially.

The turnover of PCB and FPC decreased by approximately 51.2% and 53.5% respectively in year 2008. The decrease in the turnover from PCB and FPC were primarily due to the temporary decline in production capacity as a consequence of the relocation of the Group's PCB and FPC factory. As a result, it is difficult to make appropriate profit from the manufacture of PCB and FPC during the year.

Gross profits margin by operations

	2008	2007
	%	%
FPC solutions		
FPCA	**1.4**	10.3
FPC	**(37.6)**	(8.2)
PCB solutions		
PCBA	**(125.7)**	(3.3)
PCB	**(32.9)**	(3.9)
Total	**(24.1)**	2.0

The Group's gross profit decreased from approximately US$6.3 million for the year ended 31 December 2007 to gross loss approximately US$28.8 million for the year ended 31 December 2008. The overall gross profit margin declined from approximately 2.0% for the year ended 31 December 2007 to gross loss margin of approximately 24.1% for the year ended 31 December 2008. The gross profit and gross profit margin became gross loss and gross loss margin mainly due to the following reason:

1. The bank further tightened the credit facilities of the Group. As a result, the Group had insufficient liquidity in working capital, which affected the payment schedule of the purchase orders by the Group to its suppliers. As a result, the unconcluded purchase orders of the Groups increased and the turnover decreased accordingly;

2. The production capacity was low, while the fixed manufacturing costs and labour costs increased;

3. Renminbi ("RMB") appreciated compared with US dollars ("US$"), which led to increase in manufacturing costs and labour costs denominated in RMB; and

4. In last year, the Group had purchased large volume of raw materials for PCBA, however, there were insufficient purchase orders from customers, which led to increase in obsolete stocks and weakened the turnover of the inventory. As a result, the Group had resold those stocks in lower price which did not include raw material contribution. Besides, the Group had made significant impairment loss for the doubtful debts during the year, which led to a substantial drop in gross profit of PCBA.

Operating expenses

Distribution costs for the year ended 31 December 2008 decreased by 59.5% to approximately US$3.4 million, as compared to that of approximately US$8.4 million for the year ended 31 December 2007. The items comprising the distribution and selling expenses were in line with the level of turnover.

The administrative expenses for the year ended 31 December 2008 increased by approximately 4.4% to approximately US$13.1 million as compared to that of approximately US$13.7 million for the year ended 31 December 2007. The decrease was mainly due to tightening of the control on the expenses incurred for administration.

Impairment loss on trade and other receivables for the year ended 31 December 2008 has significantly increased by approximately 330.6% to approximately US$26.7 million, as compared to that of approximately US$6.2 million for the year ended 31 December 2007. The significant increase was mainly due to trade and other receivables overly aged in accordance with the Group's accounting policy. Impairment loss was made on certain trade and other receivables which are past due and heir recoverability are in doubt.

Finance costs of the Group for the year ended 31 December 2008 decreased by 38.2% to approximately US$4.7 million, as compared to that of approximately US$7.6 million for the year ended 31 December 2007. The decrease in finance costs was mainly due to significant repayments of bank loans during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had shareholders' funds of approximately US$29.1 million as at 31 December 2008 and approximately US$92.0 million as at 31 December 2007. Current assets amounted to approximately US$27.4 million mainly comprising bank balances and cash of approximately US$5.6 million, inventories of approximately US$6.6 million and trade and other receivables of approximately US$14.8 million. Current liabilities amounted to approximately US$99.9 million mainly comprising bank borrowings of approximately US$39.9 million and trade and other payables of approximately US$54.8 million.

As at 31 December 2008, the Group's current ratio was 0.3 (2007: 1.0) and the gearing ratio (a ratio of total loans to total assets) was 33.0% (2007: 28.1%).

FOREIGN CURRENCY EXCHANGE RISK

Certain of the Group's assets, liabilities and transactions are denominated in US$ and RMB. The management believes that foreign exchange risk does not affect the Group since RMB has generally appreciated comparing with US$ and the sales and purchases in RMB substantially hedged the risks of transactions in foreign currency. The management will continue to monitor any further changes in RMB exchange rate and would proactively take measures to minimise any adverse impact by the fluctuations of exchange rates on the Group. The Group did not make any other hedging arrangement in the two years ended 31 December 2008.

SEGMENTAL INFORMATION

As at 31 December 2008, detail segmental information of the Group is set out in note 8 to the consolidated financial statements in this annual report.

EMPLOYEE BENEFITS

For the year ended 31 December 2008, average number of employees of the Group was approximately 4,000 (2007: approximately 6,500). For the year ended 31 December 2008, the Group's staff costs (excluding Directors' fees and emoluments) amounted to approximately US$17.7 million (2007: US$28.9 million). The remuneration policy of the Company is reviewed annually and is in line with the prevailing market practice. During the year under review, the Company has not granted any share options to the Directors or employees of the Group 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 the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions. During the year under review, the Group contributed approximately US$0.8 million (2007: US$1.2 million) to the scheme.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

For year ended 31 December 2008, the Group did not have any material acquisition or disposals of subsidiaries and associated companies.

CHARGE ON ASSETS

As at 31 December 2008, pledges of the Group's properties, prepaid lease payments, trade receivables and bank deposits amounted to approximately US$43.1 million, US$1.8 million, Nil and Nil respectively (2007: US$12.1 million, US$0.7 million, US$22.2 million and US$8.6 million) to secure bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2008, detail contingent liabilities of the Group is set out in note 32 to the consolidated financial statements in this annual report and the Company does not have any significant contingent liabilities.

PROSPECTS AND FUTURE PLANS

Printed circuit board industry in the PRC develops in a fast pace. Some data show that the PRC will face overcapacity for the low end products of PCB. The Group will wrap up its business restructuring and embark on new business development. The Group has increased its focus on rigid-flex printed circuits technology for smart phone and has become a key supplier and technology partner in the development of rigid-flex technology to the largest smart phone maker in Taiwan. Moreover, the Group is in negotiations with smart phone makers in the USA, Japan and South Korea to be their qualified vendor. The Directors expect to ramp up considerable business volume with products focusing on rigid-flex and multilayer flex print circuit board in the near future.

In order to improve the Group's financial position, and to improve liquidity and cash flow to sustain its further development, the Group is in negotiations with the banks to restructure its bank loans to strengthen the working capital of the Group. Moreover, the Group is also considering the disposal of some plant and equipment which do not directly affect the operations of the Group in order to reduce the cost of excess production capacity.

EXECUTIVE DIRECTORS

Mr. Wong Chau Chi ("Mr. Wong"), aged 44, was appointed as an executive Director in May 2007. Mr. Wong is currently the chief executive officer of the Company and the Chairman of the Board (the "Chairman"). Mr. Wong is responsible for the overall business development operation strategy of the Group. Mr. Wong has extensive experience in the financial and business industry for 18 years. Previously, he has worked at Goldman Sachs, Citibank Group, BNP Paribas, McKinsey & Co, and GE in areas such as restructuring, derivatives, advisory, and financial management. Mr. Wong also serves as a director of Chi Capital Holdings Limited, a financial and investment advisory company in Hong Kong specialized in merger and acquisition and private equity, and a substantial shareholder of the Company under the Securities and Futures Ordinance. Mr. Wong had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Lin Cheng Hung ("Mr. Lin"), aged 42, was appointed as an executive Director in August 2004. Mr. Lin has over 11 years of experience in the printed circuit board industry. Mr. Lin was a director of Vertex Precision Electronics Inc. ("Vertex"), a substantial shareholder of the Company and whose shares are traded on Gretai Securities Market of the Republic of China（中華民國證券櫃檯買賣）, during the period from 6 January 1990 to 8 July 2005. Save as aforesaid, Mr. Lin had not held any position nor directorship in other listed companies in the three preceding years. Mr. Lin is the brother of Ms. Lin Yi Ting, who had been executive Director of the Company during the year ended 31 December 2008.

Mr. Hsu Chung ("Mr. Hsu"), aged 57, was appointed as an executive Director in June 2005. Mr. Hsu is also the chief operating officer of the Company and is responsible for the marketing and product development of the Group. Mr. Hsu graduated with a bachelor degree in 航海系 (Navigation Science) from 台灣省立海洋學院 (National Taiwan Ocean University). Mr. Hsu has over 21 years of experience in the printed circuit board industry. From 1986 to 1990 and from 1992 to 1999, Mr. Hsu worked for Multi-Fineline Electronix, Inc. as a production manager in the United States of America. From 1997 to 1999, prior to joining the Group in April 1999, Mr. Hsu worked as the general manager of Multi-Fineline Electronix (Suzhou) Co., Ltd. Mr. Hsu had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Huang Lien Tsung ("Mr. Huang"), aged 50, was appointed as an executive Director in June 2005. Since his joining of the Group in October 2004, Mr. Huang is responsible for the financial and administration management and investment issues of the Group. Mr. Huang graduated with a bachelor degree in Accountancy from 中國文化大學 (Chinese Culture University) and a master degree in International Business from 國立台灣大學 (National Taiwan University). Prior to joining the Group in October 2004, he worked in 鉅國創業投資顧問大學 (Giga Venture Partners & Co) as a director since August 2001 and as a general manager since October 2001 until October 2004 during which he was responsible for major investment decision making. Prior to joining the Group, Mr. Huang had been the assistant general manager of Hotung Investment Holdings Limited, a company whose shares are listed on the Singapore Exchange Securities Trading Limited, for around 6 years and he had worked for several manufacturing companies for around 11 years. Mr. Huang is currently an independent director of STATS ChipPAC Taiwan Semiconductor Corporation（台灣星科金朋半導體股份有限公司）(formerly known as WINSTEK Semiconductor Corporation（台耀電子股份有限公司）), whose shares are traded on the Gretai Securities Market, and of Everspring Industry Co., Ltd（雲辰電子股份有限公司）, a company listed on the Taiwan Stock Exchange Corporation. Save as aforesaid, Mr. Huang had not held any position nor directorship in other listed companies in the three preceding years.

Ms. Lin Yi Ting ("Ms. Lin"), aged 43, was the chief financial officer of the Group and was responsible for overall operation and management of the finance department. Ms. Lin has resigned as an executive Director of the Company and the chief financial officer of the Group with effect from 31 July 2008. Ms Lin graduated with an MBA degree from Woodbury University, USA in December 1994 and a master degree in Accounting from 國立台灣大學 (National Taiwan University) in June 2002. From May 1998 to October 2002, Ms. Lin has worked as manager in the finance and investment department of Vertex. Ms. Lin has worked for First Steamship Company Limited in Taiwan from February 2003 to August 2004 as financial manager. Since October 2002, Ms. Lin has joined the Group as a consultant and in August 2004, Ms. Lin became the chief financial officer of the Group. Ms. Lin is the sister of Mr. Lin Cheng Hung, who is an executive Director of the Company.

Mr. Shao Yi ("Mr. Shao"), aged 48, has joined the Company as a deputy chief financial officer since January 2007. Mr. Shao has resigned as an executive Director effective on 1 February 2008. Mr. Shao has extensive experience in the financial and investment industry. Previously, he was worked at Goldman Sachs, Merrill Lynch, World Bank in areas of proprietary trading, derivatives, financial analysis, and economist.

NON-EXECUTIVE DIRECTORS

Mr. Chou Tsan Hsiung ("Mr. Chou"), aged 66, was appointed as an independent non-executive Director in June 2005 and was subsequently re-designated as a non-executive Director in September 2005. Mr. Chou graduated with a bachelor degree in Laws from the National Chengchi University and is a member of Taipei Bar Association. Mr. Chou is currently a practicing lawyer in the Best Truth Law Firm in Taiwan. Mr. Chou previously worked in the Legal Affairs Office of the Central Trust of China. Mr. Chou had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Nguyen Duc Van ("Mr. Nguyen"), aged 64, was appointed as a non-executive Director in June 2005. Mr. Nguyen graduated with a bachelor of Science in Materials Engineering from Drexel University in the United States of America. Mr. Nguyen has over 20 years of experience in the information technology sector. Mr. Nguyen previously worked in Kyocera Wireless Corp. and worked as an engineer in Unisys in the United States of America. Mr. Nguyen had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Yang Yi ("Mr. Yang"), aged 45, was appointed as a non-executive Director in Feb 2007. Mr. Yang first graduated from the Beijing University with a Bachelor Degree of Art in International Politics in 1987 and was awarded a scholar of Japanese Education Ministry by the Tokyo University in the same year. In 1991, Mr. Yang was awarded a master degree of Art in Law & Diplomacy by Fletcher School of Law and Diplomacy, jointly administrated by Tufts University and Harvard University. Mr. Yang has about 21 years of experience in finance and human resources management. The major appointments and positions previously assumed by Mr. Yang include a financial analyst at the fixed income division of J.P. Morgan Securities (Tokyo), the vice president of the human capital management of Goldman Sachs LLP (New York), the principal of executive search in the financial industry of Korn/Ferry International (Hong Kong) and a managing director of A.T. Kearney Management Consultancy (Hong Kong). At present, Mr. Yang is the director and founder of G Bridge Limited, Hong Kong based human resources advisory firm. Mr. Yang had not held any position nor directorship in other listed companies in the three preceding years.

Dr. Li Jun ("Dr. Li"), aged 47, obtained a doctorate degree of philosophy in Political Economy from Oxford University in the United Kingdom. He was a senior manager and director of a number of securities and investment companies in Hong Kong and had extensive experience in international financial market. Dr. Li is currently an independent non-executive director of Zhejiang Glass Company Limited (Stock code: 739) and Hong Long Holdings Limited respectively (Stock code: 1383). Dr Li was previously executive director of Superb Summit International Timber Company Limited (Stock code: 1228) until 10 February 2009 and Far East Golden Resources Group Limited (formerly known as Compass Pacific Holdings Limited) (Stock code: 1188) until 31 October 2007. Save as aforesaid, Dr. Li had not held any position nor directorship in other listed companies in the three preceding years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Wei-Lin ("Mr. Wang"), aged 37, was appointed as an independent non-executive Director in September 2005. Mr. Wang has obtained a degree in Juris Scientiae Doctoris (Doctor of Juridical Science) from the Washington University in St. Louis. Mr. Wang also graduated with a Master of Laws degree from the University of Pennsylvania and a bachelor degree in laws from the National Chengchi University. Mr. Wang is a certified attorney in Taiwan and the New York State of the United States of America. Mr. Wang is also a member of the Taipei Bar Association and American Bar Association. Mr. Wang is currently an assistant professor in Shih Hsin University School of Law（世新大學法學法院助理教授）. Mr. Wang is currently an independent director of of YoungFast（洋華光電股份有限公司）, a company listed on the Taiwan Stock Exchange Corporation. Save as aforesaid, Mr. Wang had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Chow Chi Tong ("Mr. Chow"), aged 49, was appointed as an independent non-executive Director in May 2006. Mr. Chow is an accountant in practice as a partner of Ting Ho Kwan and Chan, Certified Public Accountants. Mr. Chow holds a diploma in yarn manufacturing from The Hong Kong Polytechnic University and he has over 22 years of experience in both accounting and auditing. He is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in England and Wales. Mr. Chow had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Yu Kam Kee, Lawrence BBE, MEB, JP ("Mr. Yu"), aged 63, was appointed as an independent non-executive Director in September 2008. Mr. Yu is currently the Chairman of See Corporation Limited, the Non-executive Chairman of Trasy Gold Ex Limited, an independent Non-executive Director of Great China Holdings Limited and a senior advisor of China Renji Medical Group Limited. Mr. Yu was previously the Chairman of both China Renji Medical Group Limited until 18 April 2007 and Wing On Travel (Holdings) Limited until 1 December 2007. All the above five companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Yu underwent training at Bayer AG and Cassella AG in Germany and has accumulated many years of extensive experience in the garment industry as well as senior management experience. Mr. Yu is the Honorary Life President of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organizations, and is currently the Co-Chairman of the Campaign Committee of The Community Chest of Hong Kong, Director of the Hong Kong Football Association Limited, Governor of the Hong Kong Automobile Association and the Chairman of the Campaign Committee of The Road Safety Council. Save as aforesaid, Mr. Yu had not held any position nor directorship in other listed companies in the three preceding years.

Mr. Liao Kuang Sheng ("Mr. Liao"), aged 68, was appointed as an independent non-executive Director in September 2006. Mr. Liao has resigned as an independent non-executive Director with effect from 31 July 2008. Mr. Liao is a professor of the National University of Kaohsiung in Taiwan. In 1963, Mr. Liao first graduated with a Bachelor Degree of Law. In 1974, he was awarded a degree of Doctor of Philosophy (Political Science) by the University of Michigan, the United States of America. He assumed positions of professor and Chairman of the Department of the Government and Public Administration of the Chinese University of Hong Kong. He also assumed positions of professor and/or head of department at the National Taiwan University and the National University of Kaohsiung in Taiwan. He assumed political positions such as a former member of the legislature of the Taiwan Government. Mr. Liao had not held any position nor directorship in other listed companies in the three preceding years.

SENIOR MANAGEMENT

Mr. Lu Cheng Ming, Michael ("Mr. Lu"), aged 42, is the general manager of Rigid PCB Department. Mr. Lu joined the Group in August 2007. Mr. Lu graduated with a bachelor degree of Chemical Engineering from Taiwan National Cheng Ku University（台灣國立成功大學） Mr. Lu spent 11 years in Shenzhen Auto Cad PCB Company（至卓飛高）as a Vice General Manager.

Mr. Huangfu Ming ("Mr. Huangfu"), aged 40, is the manufacturing director of the Group. Mr. Huangfu has resigned as manufacturing director with effect from 28 February 2009. Mr. Huangfu graduated from the Mechatronics 機電一體化 division of 華東工業學院 (East China Industrial College). Mr. Huangfu was responsible for all production-related issues regarding the FPC solutions operation of the Group. Mr. Huangfu has over 11 years of experience in the printed circuit board industry. Prior to joining the Group in April 1999, Mr. Huangfu has worked for Multi-Fineline Electronix (Suzhou) Co., Ltd. for over 4 years as a supervisor of the design department.

Mr. Fang Chang Fa ("Mr. Fang"), aged 50, is the general manager of the Group and is responsible for the management and supervision of sales and market development. Mr. Fang graduated with a bachelor of Chemical Engineering from 中原大學 (Chung Yuan Christian University). Mr. Fang has worked for several electronics manufacturing companies. Prior to joining the Group in January 2000, Mr. Fang has worked in Vertex as a production manager and a sales manager.

The Board considers that good corporate governance of the Company is central to safeguarding the interests of its shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (save for the recent amendments thereto which came into effect only on 1 January 2009) throughout the year ended 31 December 2008 except that the Company has been deviated from the Code Provision A.2.1 of the CG Code, as the roles of Chairman and chief executive officer of the company were not separate. With effect on 19 May 2008, Mr. Wong Chau Chi ("Mr. Wong") had been re-designated as the Chairman and Mr. Wong also remains as the chief executive officer of the Company. According to the Code Provision A.2.1 of the CG Code, the roles of a chairman and a chief executive officer should be separate and should not be performed by the same individual. Given Mr. Wong has had extensive experience in the business of the Group and has performed satisfactorily since his joining of the Company in 2007, particularly in soliciting for possible new business opportunities and deducing the overall strategic plan for the future development of the Company, the Board considers that it would be beneficial of the Group if Mr. Wong is also in charge of overseeing the Company's operations as the Chairman. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

In light of various amendments to the Listing Rules, particularly Appendix 14 thereto, which became effective on 1 January 2009, on 24 April 2009, the Company adopted the code provisions set out in the Code on Corporate Governance Practices ("New CG Code") contained in Appendix 14 to the Listing Rules with retrospective effect from 1 January 2009. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (save for the recent amendments thereto which came into effect only on 1 January 2009 and 1 April 2009) for securities transactions by the Directors in the financial year under review. In light of various amendments to the Listing Rules, particularly the Model Code, on 24 April 2009, the Company adopted a revised code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards under the revised Model Code. All the members of the Board have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code and the code of conduct throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

Composition and role

The Board during the year and up to the date of this report comprises:

Executive Directors:	Wong Chau Chi *(Chairman)*
	Lin Cheng Hung
	Hsu Chung
	Huang Lien Tsung
	Lin Yi Ting (resigned with effect from 31 July 2008)
	Shao Yi (resigned with effect from 1 February 2008)
Non-executive Directors	Chou Tsan Hsiung
	Nguyen Duc Van
	Yang Yi
	Li Jun
Independent non-executive Directors	Wang Wei-Lin
	Chow Chi Tong
	Yu Kam Kee, Lawrence BBS, MBE, JP (appointed with effect from 30 September 2008)
	Liao Kuang Sheng (resigned with effect from 31 July 2008)

As at 31 December 2008, the Board comprised four executive Directors (one of whom is the Chairman) and seven non-executive Directors. Of the seven non-executive Directors, three of them are independent non-executive Directors which represent about a quarter of the Board. In addition, one of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee work.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications.

During the year, the Company has deviated from the provision of Rule 3.10(1) of the Listing Rules that insufficient number of independent non-executive Directors have been appointed. With effect on 31 July 2008, Mr. Liao Kuang Sheng ("Mr. Liao") has resigned as independent non-executive Director of the Company. Mr. Liao has also resigned as member of the audit committee of the Company with effect from the same date. Following the resignation of Mr. Liao, the Company only had two independent non-executive Directors, namely Mr. Wang Wei-Lin and Mr. Chow Chi Tong, and did not meet the requirements under Rule 3.10(1) of the Listing Rules. The Board has appointed Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP ("Mr. Yu") as a new independent non-executive Director with effective from 30 September 2008 and Mr. Yu was also appointed as member of the audit committee of the Company with effect from the same date according to the provision of Rule 3.21 of the Listing Rules.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for the Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its Directors.

The Board meets regularly throughout the year and up to date of this annual report to review the overall business, financial and technical strategy and to monitor the financial performance of the Group while the senior management are delegated to supervise the day-to-day management and operation of the Group and the execution of the plans of the Group as approved by the Board. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors. Notices of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the Board meetings. Draft minutes of all Board meetings are circulated to all Directors for comment within a reasonable time prior to endorsement.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to Board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

Save and except disclosed in the section "Biographies of Directors and senior management" in this annual report, there is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

During the year, twelve full Board meetings were held and the individual attendance of each Director is set out below:

Name of Director	Number of Board meetings attended	Attendance rate
Wong Chau Chi (Chairman)	12/12	100%
Lin Cheng Hung	8/12	67%
Hsu Chung	12/12	100%
Huang Lien Tsung	12/12	100%
Lin Yi Ting (resigned with effect from 31 July 2008)	7/12	58%
Shao Yi (resigned with effect from 1 February 2008)	0/12	0%
Chou Tsan Hsiung	12/12	100%
Nguyen Duc Van	10/12	83%
Yang Yi	12/12	100%
Li Jun	12/12	100%
Wang Wei-Lin	11/12	92%
Chow Chi Tong	9/12	75%
Yu Kam Kee, Lawrence, BBE, MBE, JP (appointed with effect from 30 September 2008)	1/12	8%
Liao Kuang Sheng (resigned with effect from 31 July 2008)	7/12	58%

Chairman and Chief Executive Officer

During the year under review, Mr. Wong Chau Chi served as the Chairman and the chief executive officer of the Company, Mr. Hsu Chung served as the chief operating officer of the Company, Mr. Lin Cheng Hung and Mr. Huang Lien Tsung served as executive Directors. Mr. Lin Cheng Hung resigned as the Chairman and continuously serves as an executive Director with effect from 19 May 2008. Effective on the same date, Mr. Wong Chau Chi was appointed as the new Chairman. Ms. Lin Yi Ting and Mr. Shao Yi, resigned as the chief financial officer and the deputy chief financial officer of the Company respectively with effect from 31 July 2008 and 1 February 2008 respectively. The Chairman is responsible for the overall business development operation strategy of the Group. The chief operating officer of the Company is responsible for marketing and product development of the Group. The chief executive officer of the Company is responsible for financial and administration management and investment issue of the Group.

Terms of appointment of non-executive Directors

Each of the non-executive Director and the independent non-executive Director has entered into an appointment letter with the Company for an initial term of one year. The term of each of the non-executive Director and the independent non-executive Director shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of their then current term of appointment, subject to retirement by rotation and re-election at annual general meeting of the Company (the "AGM") pursuant to its Articles of Association (the "Article") unless terminated by not less than three months notice in writing served by either the respective non-executive Director and independent non-executive Director expiring at the end of the initial term or at any time thereafter. According to Article 108(A) of the Articles, one-third of the Directors shall retire from office by rotation and are subject to re-election at the AGM at least once every three years.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") was established in year July 2005 with written terms of reference adopted by reference to the code provisions of the CG Code and its members include:

Mr. Chow Chi Tong *(Chairman of the Audit Committee)*
Mr. Chou Tsan Hsiung
Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP (appointed with effect from 30 September 2008)
Mr. Liao Kuang Sheng (resigned with effect from 31 July 2008)

The majority of the Audit Committee members are independent non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee. The composition and members of the Audit Committee comply with the requirements under the Rule 3.21 of the Listing Rules as at 31 December 2008. The Audit Committee is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. The Audit Committee also oversees the audit process and performs other duties as assigned by the Board.

The Audit Committee meets regularly to review the reporting of financial and other information to the Company's shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, and has reviewed the consolidated financial statements for the year ended 31 December 2008.

During the year ended 31 December 2008, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Director	Number of committee meetings attended	Attendance rate
Mr. Chow Chi Tong	2/2	100%
Mr. Chou Tsan Hsiung	2/2	100%
Mr. Yu Kam Kee, Lawrence, BBE., MBE., JP	0/2	N/A
Mr. Liao Kuang Sheng	1/2	50%

In light of various amendments to the Listing Rules, particularly Appendix 14 thereto, which became effective on 1 January 2009, on 24 April 2009, the Company adopted a revised written terms of reference of the Audit Committee with reference to the corresponding changes made to the code provisions of the New CG Code on 1 April 2009 with retrospective effect from 1 January 2009.

REMUNERATION COMMITTEE

The remuneration committee (the "Remuneration Committee") was established in July 2005 and its members include:

Mr. Wang Wei-Lin *(Chairman of the Remuneration Committee)*
Mr. Chou Tsan Hsiung
Mr. Chow Chi Tong
Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP (appointed with effect from 30 September 2008)
Mr. Liao Kuang Sheng (resigned with effect from 31 July 2008)

The majority of the Remuneration Committee members are independent non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of the Directors and senior management of the Group. The Remuneration Committee ensures that no Director or any of his/her associates is involved in deciding his/her own remuneration.

In determining the emolument payable to the Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions of the Group and the desirability of performance-based remuneration.

The Remuneration Committee meets regularly to determine the policy for the remuneration of the Directors and assesses performance of the executive Directors and certain senior management of the Group. During the year ended 31 December 2008, one Remuneration Committee meeting was held, the individual attendance of each member is set out below:

Name of Director	Number of committee meeting attended	Attendance rate
Mr. Wang Wei-Lin	1/1	`100%
Mr. Chou Tsan Hsiung	1/1	100%
Mr. Chow Chi Tong	1/1	100%
Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP	0/1	N/A
Mr. Liao Kuang Sheng	1/1	100%

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a nomination committee. The Company currently does not have any plans to set up a nomination committee.

The Chairman is responsible for identifying suitable candidates to the members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of their qualifications, experiences and background.

During the year 2008, one of the Board meeting was held in relation to the nomination of Director. All Directors except Mr. Lin Cheng Hung have attended the meeting. In such Board meeting, the Board has reviewed the qualification, experience and background of the relevant candidate. Then the Board approved the appointment of the suitable candidate as Director after thorough discussion.

AUDITOR'S REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by the auditor to the Group for the year ended 31 December 2008 is summarised as below:

Services	Remuneration (US$)
Audit services	187,097
Significant non-audit service (in connection with the preparation of accountant's report relating to the then proposed open offer of the Company as announced on 26 August 2008 which was subsequently terminated on 26 September 2008)	58,065
	245,162

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the Company's shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial and operational functions.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of its results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2008, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable; and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable the preparation of the consolidated financial statements in accordance with the Hong Kong Companies Ordinance.

AUDITOR'S STATEMENT

The auditor of the Company acknowledge their responsibilities in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2008.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with its shareholders and the investment community at large. Briefings and meetings with institutional investors and analysts are conducted regularly. The Company is committed to continue to maintain an open and effective investor communication policy and to update the investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the executive Directors and designated senior executives according to established practices and procedures of the Company.

For and on behalf of the Board

Wong Chau Chi
Chairman
Hong Kong, 24 April 2009

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 32 of the 2008 Annual Report of which this report forms part.

The Directors did not recommend payment of any final dividend to the shareholders of the Company for the year ended 31 December 2008.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditures of approximately US$21.5 million on new machinery and equipment. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

As announced by the Company on 21 May 2008, the Company entered into a subscription agreement with not less than six subscribers being individuals, institutional or other professional investors, for the subscription of an aggregate 250,000,000 new ordinary shares for an aggregate consideration of HK$36,500,000 at the subscription price of HK$0.146 per share and the net price of HK$0.145 per share. The aggregate nominal value of such shares amounted to HK$25,000,000. The closing price of the share on 21 May 2008, being the date on which the terms of the issue were fixed, was HK$0.181.

As announced by the Company on 11 July 2008, the Company entered into a subscription agreement with not less than six subscribers being individuals, institutional or other professional investors, for the subscription of an aggregate 90,000,000 new ordinary shares for an aggregate consideration of HK$10,800,000 at the subscription price of HK$0.12 per share and the net price of HK$0.118 per share. The aggregate nominal value of such shares amounted to HK$9,000,000. The closing price of the share on 11 July 2008, being the date on which the terms of the issue were fixed, was HK$0.149.

As stated in the above announcements, the reason for making the above issue of shares was that the Company considered that it was a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved. The Directors considered that it is in the interests of the Company to raise capital from the equity market in order to maintain the cashflow position of the Group and to enhance the capital base of the Company. The net proceeds of the above issue of shares would be used as general working capital.

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

DISTRIBUTABLE RESERVE

The Company's reserve available for distribution to the shareholders of the Company as at 31 December 2008 amount to approximately US$32.1 million which comprises contributed surplus only.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Wong Chau Chi *(Chairman)*	
Mr. Lin Cheng Hung	
Mr. Hsu Chung	
Mr. Huang Lien Tsung	
Ms. Lin Yi Ting	(resigned with effect from 31 July 2008)
Mr. Shao Yi	(resigned with effect from 1 February 2008)

Non-executive Directors

Mr. Chou Tsan Hsiung
Mr. Nguyen Duc Van
Mr. Yang Yi
Dr. Li Jun

Independent non-executive Directors

Mr. Wang Wei-Lin	
Mr. Chow Chi Tong	
Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP	(appointed with effect from 30 September 2008)
Mr. Liao Kuang Sheng	(resigned with effect from 31 July 2008)

In accordance with Article 108(A) of the Articles, at each AGM one third of the Directors for the time being shall retire from office by rotation. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM to be held in year 2009.

In accordance with Article 112 of the Articles, the office of Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP will end at the forthcoming AGM. Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP, being eligible, will offer himself for re-election at the forthcoming AGM.

All executive Director and independent non-executive Director are subject to retirement by rotation in accordance with the Articles.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 December 2008, the interests and short positions of the Directors and chief executives 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 (the "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 (the "Stock Exchange") pursuant to the Model Code, were as follows:

(a) Ordinary shares

Name of Director	Name of corporation	Capacity/ nature of interest	Total number of ordinary shares (Note 1)	Approximate percentage of interest
Mr. Wong Chau Chi	The Company	Beneficial owner	12,500,000(L)	0.79%
		Interest of controlled corporation (Note 2)	85,570,000(L)	5.38%
Mr. Lin Cheng Hung	The Company	Beneficial owner	9,431,452(L)	0.59%
Mr. Hsu Chung	The Company	Beneficial owner	23,152,743(L)	1.46%
Mr. Huang Lien Tsung	The Company	Beneficial owner	2,626,292(L)	0.17%
Mr. Nguyen Duc Van	The Company	Beneficial owner	1,173,638(L)	0.07%

Notes:

1. The letter "L" denotes the Directors' long positions in the shares of the Company.

2. These shares are registered under the name of Chi Capital Holdings Limited ("Chi Capital"), a company wholly owned by Mr. Wong Chau Chi and he was the sole shareholder and director of Chi Capital. Under the SFO, Mr. Wong Chau Chi was deemed to be interested in all the shares of the Company held by Chi Capital.

(b) Share options

Name of Director	Capacity/ nature of interest	Number of options held	Number of underlying share
Mr. Hsu Chung	Beneficial owner	12,500,000	12,500,000
Mr. Wong Chau Chi	Beneficial owner	12,500,000	12,500,000
		25,000,000	25,000,000

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Other than as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2008 as required to be recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company operates a share option scheme (the "Scheme") which was adopted on 5 July 2005. During the year ended 31 December 2008, no share option was granted and exercised under the Scheme. Particulars of the share option schemes of the Company and details of movements in the share options of the Company are set out in note 27 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in note 27 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors 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 subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of the Company's substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors or chief executives of the Company, the following shareholders of the Company had notified the Company of the relevant interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation.

Name of shareholder	Capacity/ nature of interest	Number of ordinary shares (Note 1)	Percentage of the issued share capital
Century Champion Group Limited ("Century Champion") (Note 2)	Beneficial owner	256,470,000(L)	16.13%
Vertex Precision Electronics Inc. ("Vertex") (Note 2)	Interest of controlled corporation	256,470,000(L)	16.13%
Shikumen Special Situations Fund (Note 3)	Beneficial owner	219,735,000(L)	13.82%
Lau Jeffrey Chun Hung (Note 3)	Investment Manager	219,735,000(L)	13.82%
Tang Yu Ming Nelson (Note 3)	Investment Manager	219,735,000(L)	13.82%
Hansom Group Limited (Note 4)	Beneficial owner	140,000,000(L)	8.81%
Goodluck Overseas Limited (Note 4)	Beneficial owner	140,000,000(L)	8.81%
Zhou Qingzhi (Note 4)	Beneficial owner	140,000,000(L)	8.81%
Ta Chong Bank Co. Ltd.	Security interest in shares	130,000,000(L)	8.18%
Chi Capital Holdings Limited	Beneficial owner	85,570,000(L)	5.38%

Notes:

1. The letter "L" denotes the persons' long positions in the shares of the Company.

2. These represent the same parcel of shares of the Company in which Century Champion is deemed to be interested under the SFO. Century Champion, is 100% owned by Vertex. Under the SFO, Vertex is deemed to have a long position in respect of the 256,470,000 shares of the Company held by Century Champion.

3. These represent the same parcel of shares of the Company.

4. These represent the same parcel of shares of the Company. Zhou Qingzhi is deemed to be interested in these shares by virtue of his 64.25% interest in Goodluck Overseas Limited and Goodluck Overseas Limited is deemed to be interested in these shares by virtue of its 100% interest in Hansom Group Limited.

Other than as disclosed above, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in any shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2008.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 22% and 58% of the Group's turnover respectively. Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year did a Director, an associate of a Director or any shareholders of the Company (which to the best knowledge of the Directors had more than 5% interests in the Company) had an interest in any of the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

Neither the Group nor the Company has any connected transactions and/or continuing connected transactions as defined under Chapter 14A of the Listing Rules during the year under review. The related party transactions disclosed in note 37 to the financial statements are exempted continuing connected transactions.

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Vertex Precision Electronics Inc. ("Vertex", together with its subsidiaries, the "Vertex Group") is the holding company of Century Champion Group Limited, the current substantial shareholder of the Company. The Vertex Group is principally engaged in the manufacture and sale of PCB, being one of the major products of the Group. In order to delineate the business of the Vertex Group and those of the Group and to regulate the business activities with their respective customers and amongst themselves, Vertex and the Company have given to each other certain non-compete undertakings under a territorial agreement dated 5 July 2005 made between the Company and Vertex (the "Territorial Agreement"). A summary of the principal terms of the Territorial Agreement is set out in the prospectus of the Company dated 28 September 2005. To demonstrate its adherence to the non-compete undertakings contained in the Territorial Agreement, Vertex has confirmed to the Company as to its compliance with such undertakings during the year under review.

As referred to in the section headed "Directors' interests in shares and share options' above, each of Mr. Lin Cheng Hung, Mr. Hsu Chung, Ms. Lin Yi Ting and Mr. Liao Kuang Sheng who had been a Director during the year ended 31 December 2008, was a shareholder of Vertex during the year ended 31 December 2008. Such Directors are indirectly interested in the business carried on by the Vertex Group.

Save as disclosed, during the year, none of the Directors had any interests in competing business of the Company which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its 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 best knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Directors consider that the Company has maintained a sufficient public float as required under the Listing Rules.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group and the Company are set out in note 39 to the consolidated financial statements in this annual report.

AUDITOR

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

A resolution will be proposed in the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wong Chau Chi
Chairman
Hong Kong, 24 April 2009

Deloitte.
德勤

TO THE SHAREHOLDERS OF GLOBAL FLEX HOLDINGS LIMITED
佳邦環球控股有限公司
(incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Global Flex Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 82, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

(a) Impairment of property, plant and equipment

Included in the consolidated balance sheet as at 31 December 2008 was property, plant and equipment with carrying amounts of US$98,919,683. As set out in the consolidated income statement, the Group incurred a loss of US$75,093,827 for the year ended 31 December 2008 and together with the fact that production activities of certain of the Group's facilities were suspended during the year, in our opinion this constituted an indicator of impairment of the property, plant and equipment. However, no impairment loss was recoginsed for the year ended 31 December 2008. We were unable to perform satisfactory audit procedures to satisfy ourselves that the recoverable amounts of the property, plant and equipment exceeded its carrying amounts as at 31 December 2008 and whether any impairment loss should be recoginsed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Any adjustments found to be necessary would affect the Group's net assets as at 31 December 2008 and the Group's loss for the year then ended.

(b) Fair value on convertible loan notes

Included in the consolidated balance sheet as at 31 December 2008 were the liability component of convertible loan notes and conversion option derivative with carrying amounts of US$2,736,489 and US$54,029, respectively. The fair values of these components were determined on initial recognition by the directors of the Company. In addition, the fair value of the conversion option derivative as at 31 December 2008 was determined by the directors of the company. However, we were unable to obtain sufficient evidence to satisfy ourselves as to whether the valuation methodology and the assumptions adopted by the directors of the Company in these valuations of the liability component of convertible loan notes and conversion option derivative were appropriate. There were no other alternative audit procedures that we could carry out to satisfy ourselves as to whether the liability component of convertible loan notes and the conversion option derivative are fairly stated on initial recognition and as at 31 December 2008 in accordance with the requirements of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement". Any adjustments found to be necessary may have an effect on the Group's net assets as at 31 December 2008 and the Group's loss for the year then ended.

(c) Going concern

As set out in note 2 to the consolidated financial statements, the Group incurred a loss for the year ended 31 December 2008 of US$75,093,827, and the Group's current liabilities exceeded its current assets as at 31 December 2008 by US$72,498,178. The directors of the Company have been taking steps to improve the liquidity of the Group. These steps included (i) application to the court of the People's Republic of China (the "PRC") for a debt restructuring on 2 March 2009 for a major subsidiary which was incorporated in the PRC; (ii) reducing manpower and production costs and discontinuing some non-core and unprofitable businesses; and (iii) negotiating with the Group's suppliers to reschedule the payments of the Group's expenditures.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors as described above. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated balance sheet. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

These matters therefore indicate the existence of material uncertainties which cast significant doubt about the Group's ability to continue as a going concern.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 US$	2007 US$
Revenue	8	**119,336,692**	311,602,789
Cost of sales		**(148,107,340)**	(305,267,263)
Gross (loss) profit		**(28,770,648)**	6,335,526
Other income	9	**4,593,155**	5,727,810
Distribution and selling expenses		**(3,354,342)**	(8,389,231)
Administrative expenses		**(13,133,779)**	(13,669,509)
Impairment loss on trade and other receivables		**(26,703,394)**	(6,248,276)
Impairment loss on property, plant and equipment		**—**	(5,366,859)
Loss on disposal on property, plant and equipment		**(3,434,886)**	—
Finance costs	10	**(4,723,540)**	(7,582,069)
Loss before taxation		**(75,527,434)**	(29,192,608)
Income tax credit (expense)	11	**433,607**	(585,453)
Loss for the year	12	**(75,093,827)**	(29,778,061)
Dividends	14	**—**	4,612,903
Loss per share	15		
- Basic		**(0.0520)**	(0.0238)
- Diluted		**N/A**	N/A

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008	2007
		US$	US$
NON-CURRENT ASSETS			
Property, plant and equipment	16	**98,919,683**	93,147,521
Prepaid lease payments - non-current portion	17	**2,561,246**	3,403,783
Deposits paid for acquisition of property, plant and equipment		**76,525**	2,709,421
Available-for-sale investment	18	**26,653**	22,008
		101,584,107	99,282,733
CURRENT ASSETS			
Inventories	19	**6,554,916**	39,969,755
Trade and other receivables	20	**14,773,501**	86,316,301
Prepaid lease payments - current portion	17	**478,213**	459,233
Pledged bank deposits	21	**—**	8,597,630
Bank balances and cash	21	**5,627,793**	10,856,313
		27,434,423	146,199,232
CURRENT LIABILITIES			
Trade and other payables	22	**54,781,326**	83,975,312
Amount due to a related company	23	**1,524,012**	—
Amount due to a director	23	**804,665**	—
Tax liabilities		**177,932**	450,877
Convertible loan notes	24	**2,790,518**	—
Bank borrowings - due within one year	25	**39,854,148**	69,096,519
		99,932,601	153,522,708
NET CURRENT LIABILITIES		**(72,498,178)**	(7,323,476)
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,085,929**	91,959,257
CAPITAL AND RESERVES			
Share capital	26	**20,516,129**	16,129,032
Share premium and reserves		**8,569,800**	75,830,225
		29,085,929	91,959,257

The consolidated financial statements on pages 32 to 82 were approved and authorised for issue by the Board of directors on 24 April 2009 and are signed on its behalf by:

Wong Chau Chi	**Yang Yi**
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital US$	Share premium US$	Merger reserve US$ (note 29)	Statutory reserve US$ (note 30)	Share option reserve US$ (note 27)	Capital reserve US$ (note 28)	Exchange reserve US$	Accumulated profits (losses) US$	Total US$
At 1 January 2007	16,129,032	15,631,536	31,987,096	6,391,242	—	1,083,871	4,828,592	41,482,014	117,533,383
Exchange differences arising on translation recognised directly in equity	—	—	—	—	—	—	7,640,872	—	7,640,872
Loss for the year	—	—	—	—	—	—	—	(29,778,061)	(29,778,061)
Total recognised income and expense for the year	—	—	—	—	—	—	7,640,872	(29,778,061)	(22,137,189)
Dividend paid	—	—	—	—	—	—	—	(4,612,903)	(4,612,903)
Recognition of equity-settled share-based payments	—	—	—	—	1,175,966	—	—	—	1,175,966
At 31 December 2007	16,129,032	15,631,536	31,987,096	6,391,242	1,175,966	1,083,871	12,469,464	7,091,050	91,959,257
Exchange differences arising on translation recognised directly in equity	—	—	—	—	—	—	5,471,512	—	5,471,512
Loss for the year	—	—	—	—	—	—	—	(75,093,827)	(75,093,827)
Total recognised income and expense for the year	—	—	—	—	—	—	5,471,512	(75,093,827)	(69,622,315)
Recognition of equity-settled share-based payments	—	—	—	—	122,197	556,026	—	—	678,223
Forfeiture of share options	—	—	—	—	(52,734)	—	—	52,734	—
Issue of shares	4,387,097	1,716,129	—	—	—	—	—	—	6,103,226
Transaction cost related to issue of shares	—	(32,462)	—	—	—	—	—	—	(32,462)
At 31 December 2008	**20,516,129**	**17,315,203**	**31,987,096**	**6,391,242**	**1,245,429**	**1,639,897**	**17,940,976**	**(67,950,043)**	**29,085,929**

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 US$	2007 US$
OPERATING ACTIVITIES		
Loss before taxation	**(75,527,434)**	(29,192,608)
Adjustments for:		
Impairment loss on property, plant and equipment	**—**	5,366,859
Impairment loss on trade and other receivables	**26,703,394**	6,248,276
Write-down of inventories	**3,598,227**	14,091,861
Release of prepaid lease payments	**470,387**	493,105
Finance costs	**4,723,540**	7,582,069
Interest income	**(208,421)**	(1,438,496)
Depreciation of property, plant and equipment	**11,792,224**	10,534,128
Share-based payments	**678,223**	1,175,966
Loss (gain) on disposal of property, plant and equipment	**3,434,886**	(14,535)
Gain on disposal of prepaid lease payments	**(18,734)**	—
Operating cash flows before movements in working capital	**(24,353,708)**	14,846,625
Decrease (increase) in inventories	**29,816,612**	(5,456,015)
Decrease in trade and other receivables	**45,726,788**	51,162,295
Decrease in trade and other payables	**(31,876,891)**	(19,305,958)
Increase in amount due to a related company	**1,524,012**	—
Cash inflow generated from operations	**20,836,813**	41,246,947
Income tax refund (paid)	**160,662**	(527,351)
NET CASH FROM OPERATING ACTIVITIES	**20,997,475**	40,719,596
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(11,315,881)**	(22,291,596)
Prepaid lease payments made	**—**	(42,368)
Decrease in pledged bank deposits	**8,597,630**	4,919,509
Proceeds from disposal of property, plant and equipment	**3,106,304**	34,084
Proceeds from disposal of prepaid lease payments	**619,731**	—
Interest received	**208,421**	1,438,496
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,216,205**	(15,941,875)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 US$	2007 US$
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(133,111,047)**	(110,640,078)
Interest paid	**(4,696,889)**	(7,582,069)
Share issue expenses	**(32,462)**	—
New bank borrowings raised	**99,746,289**	60,242,916
Proceeds from issue of shares	**6,103,226**	—
Proceeds from issue of convertible notes	**2,763,867**	—
Advanced from a director	**804,665**	—
Dividend paid	**—**	(4,612,903)
NET CASH USED IN FINANCING ACTIVITIES	**(28,422,351)**	(62,592,134)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,208,671)**	(37,814,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**10,856,313**	46,782,638
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**980,151**	1,888,088
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**5,627,793**	10,856,313

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"). The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 38.

The consolidated financial statements are presented in United States dollar while the functional currency of the Company is Renminbi. The directors selected United States dollar as the presentation currency because most of the shareholders of the Company are located outside the People's Republic of China (the "PRC") and United States dollar was considered to be more useful to the shareholders.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of a loss of US$75,093,827 for the year ended 31 December 2008 and the Group's current liabilities exceeded its current assets at 31 December 2008 by US$72,498,178. The directors of the Company have been taking steps to improve the liquidity of the Group. These steps included (i) application to the court of the PRC for a debt restructuring on 2 March 2009 for a major subsidiary which was incorporated in the PRC. (ii) reducing manpower and production costs and discontinuing some non-core and unprofitable businesses; and (iii) negotiating with the Group's suppliers to reschedule the payments of the Group's expenditures. Provided that these measures are successful and can effectively improve the liquidity position of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, the following amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

4. 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 Hong Kong Financial Reporting Standards 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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 sold in the normal course of business, net of discounts and sales related taxes.

Revenue from 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.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the period of the relevant leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes 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 of their estimated residual value, using the straight line method.

Construction in progress includes 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 recognised impairment loss. 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.

Prepaid lease payments

Prepaid lease payments, which represent up-front payments to acquire leasehold land interest, are stated at cost and released to the consolidated income statement over the period of the lease on a straight line basis.

Impairment losses on assets

At each balance sheet date, the Group reviews the carrying amounts of its 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 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 asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

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 dates.

Deferred tax is recognised on differences between the carrying amounts 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 the presentation currency of the Group (i.e. United States dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit scheme contributions

Payments to defined contribution retirement benefit scheme are charged as expenses when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Termination benefits

Termination benefits are recognised as a liability and an expense when it is demonstrably committed to terminate the employment of an employee or group of employee before the normal retirement date.

Share-based payment transactions

Equity-settled share-based payment transactions

Shares granted to employees of the Group

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).

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) 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 are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Convertible loan notes contains liability component and conversion option derivative

Convertible loan notes issued by the Group that contain liability and conversion option are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, all the liability and conversion option components are measured at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and convertible option in proportion to the their relative fair values. Transaction costs relating to the convertible option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 receivable the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised, 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group estimates the future cash flows to determine the impairment loss. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2008, the carrying amount of trade and other receivables is US$14,773,501 (2007: US$86,316,301) (net of impairment loss on trade and other receivables of US$37,132,814 (2007:US$9,656,240)).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowance for inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method. The Group reviews its inventory levels in order to identify slow-moving and obsolete merchandise. When the Group identifies items of inventories which have a market price that is lower than its carrying amount, the Group estimates the amount of write-down of inventories as allowance for inventories. As at 31 December 2008, the carrying amount of inventories is US$6,554,916 (2007: US$39,969,755).

If the market price of inventories of the Group become lower than its carrying amount subsequently, an additional allowance may be required.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the convertible loan notes and bank borrowings disclosed in notes 24 and 25, respectively, net of cash and cash equivalents disclosed in note 21 and equity attributable to equity holders of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associate with each class of capital. Based on recommendation of directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts and the repayment of existing debts.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2008 US$	2007 US$
Financial assets		
Loans and receivables (including cash and cash equivalents)	**17,494,073**	98,642,622
Available-for-sale financial assets	**26,653**	22,008
Financial liabilities		
Amortised cost	**94,399,151**	147,737,903
Derivative liabilities	**54,029**	—

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances, trade and other payables, amount due to a related company, amount due to a director, convertible loan notes and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk and interest rate risk), credit risk and liquidity risk. 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.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The Group mainly operates in the PRC. Its foreign currency sales and purchases expose the Group to foreign currency risk, particularly in United States dollar.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are considered as significant by the management, at the reporting date are as follows:

	Liabilities		**Assets**	
	2008	2007	**2008**	2007
	US$	US$	**US$**	US$
United States dollar	**22,764,156**	52,293,356	**11,439,177**	72,094,629

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the fluctuation in Renminbi against United States dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currency. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, bank balances, trade and other payables and bank borrowings where the denomination of these balances are in currencies other than the functional currency of the relevant entities. If exchange rate of Renminbi against United States dollar had been increased/decreased by 5%, the Group's loss for the year would decrease/increase by approximately US$566,000 (2007: increase/decrease US$990,000).

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

***Market risk** (Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to convertible loan notes as set out in note 24.

The Group is also exposed to cash flow interest rate risk in relation to the bank balances and variable-rate bank borrowings (see note 25 for details of these borrowings) due to the fluctuation of the prevailing market interest rates. It is the Group's policy to keep its borrowings at variable-rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly sensitive to the fluctuation of rate of the People's Bank of China arising from the Group's Renminbi bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would increase/decrease approximately by US$171,000 (2007: US$400,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2008, the Group maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which is approximately 36% (2007: 61%) of the total trade receivables as at 31 December 2008.

The Group also has concentration of credit risk as 46% (2007: 38%) and 59% (2007: 69%) of the total trade receivables was due from one of the five largest customers and the five largest customers respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2008, the Group has net current liabilities of US$72,498,178. The directors of the Company are taking active steps to improve the liquidity position of the Group. These steps include (i) application to the court of the PRC for debt restructuring on 2 March 2009 for a major subsidiary which was incorporated in the PRC; (ii) reducing manpower and production costs and discontinuing some non-core and unprofitable businesses; and (iii) negotiating with the Group's suppliers to reschedule the payments of the Group's expenditures.

The Group relies on bank borrowings as a significant source of liquidity. Details of which are set out in note 25.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk tables

2008

	Weighted average interest rate	Less than 1 month on or demand	31 to 90 days	91 to 180 days	181 to 365 days	More than 1 year	Total undiscounted cash flows	Carrying amount at 31/12/2008
	%	US$	US$	US$	US$	US$	US$	US$
Financial liabilities								
Trade and other payables	—	47,367,252	1,946,090	166,495	—	—	49,479,837	49,479,837
Amount due to a related company	—	1,524,012	—	—	—	—	1,524,012	1,524,012
Amount due to a director	—	804,665	—	—	—	—	804,665	804,665
Convertible loan notes (note)	—	2,790,518	—	—	—	—	2,790,518	2,790,518
Bank borrowings	7.96	3,790,695	—	1,877,942	35,645,844	—	41,314,481	39,854,148
		56,277,142	1,946,090	2,044,437	35,645,844	—	95,913,513	94,453,180

2007

	Weighted average interest rate	Less than 1 month on or demand	31 to 90 days	91 to 180 days	181 to 365 days	More than 1 year	Total undiscounted cash flows	Carrying amount at 31/12/2008
	%	US$	US$	US$	US$	US$	US$	US$
Financial liabilities								
Trade and other payables	—	28,433,970	39,014,365	11,193,049	—	—	78,641,384	78,641,384
Bank borrowings	6.26	8,213,120	31,947,130	11,055,336	22,205,992	—	73,421,578	69,096,519
		36,647,090	70,961,495	22,248,385	22,205,992	—	152,062,962	147,737,903

Note: The amount represented the carrying amount of the convertible loan notes on the assumption that the holders request the company to repay immediately as set out in note 24. If the notes have not been converted before maturity date, the convertible loan notes will be redeemed at HK$26,250,000 (equivalents to US$3,387,096) upon maturity.

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

8. 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 boards assembly. These divisions are the basis on which the Group reports its primary segment information.

The principal activities of the Group are the manufacturing and trading of:

– Flexible printed circuit boards

– Rigid printed circuit boards

– Flexible printed circuit boards assembly

– Rigid printed circuit boards assembly

8. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

	Flexible printed circuit boards		Rigid printed circuit boards		Flexible printed circuit boards assembly		Rigid printed circuit boards assembly		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	US$	US$	**US$**	US$	**US$**	US$	**US$**	US$	**US$**	US$
REVENUE										
External sales	**14,613,210**	31,428,045	**25,339,421**	51,967,805	**66,777,014**	136,695,143	**12,607,047**	91,511,796	**119,336,692**	311,602,789
RESULTS										
Segment results	**(13,507,621)**	(3,434,346)	**(24,529,382)**	(7,494,217)	**(3,417,455)**	10,001,661	**(17,373,926)**	(12,741,938)	**(58,828,384)**	(13,668,840)
Unallocated income									**4,593,155**	5,727,810
Unallocated expenses									**(16,568,665)**	(13,669,509)
Finance costs									**(4,723,540)**	(7,582,069)
Loss before taxation									**(75,527,434)**	(29,192,608)
Income tax credit (expense)									**433,607**	(585,453)
Loss for the year									**(75,093,827)**	(29,778,061)
ASSETS										
Segment assets	**19,767,031**	45,593,546	**32,861,790**	53,715,067	**65,921,953**	76,770,171	**4,660,633**	45,257,719	**123,211,407**	221,336,503
Unallocated assets									**5,807,123**	24,145,462
Consolidated total assets									**129,018,530**	245,481,965
LIABILITIES										
Segment liabilities	**18,837,619**	20,862,012	**9,130,729**	15,984,847	**22,411,783**	31,684,367	**2,140,884**	14,976,925	**52,521,015**	83,508,151
Unallocated liabilities									**47,411,586**	70,014,557
Consolidated total liabilities									**99,932,601**	153,522,708
OTHER INFORMATION										
Capital additions	**—**	5,610,229	**—**	7,686,561	**13,290,111**	6,487,825	**663,590**	3,759,210	**13,953,701**	23,543,825
Impairment loss on property, plant and equipment	**—**	—	**—**	—	**—**	—	**—**	5,366,859	**—**	5,366,859
Impairment loss on trade and other receivables	**7,490,243**	—	**15,206,011**	4,063,110	**2,896,820**	323,602	**1,110,320**	1,861,564	**26,703,394**	6,248,276
Write-down of inventories	**—**	3,297,572	**149,193**	3,759,445	**—**	3,781,010	**3,449,034**	3,253,834	**3,598,227**	14,091,861
Depreciation of property, plant and equipment and release of prepaid lease payments	**2,731,556**	3,076,327	**4,319,005**	4,635,707	**2,947,235**	1,478,448	**2,264,815**	1,836,751	**12,262,611**	11,027,233

8. SEGMENTAL INFORMATION *(Continued)*

Geographical segments

The Group's operations are located in 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:

	2008 US$	2007 US$
The PRC, including Hong Kong	**75,536,468**	254,971,789
United States of America	**4,611,702**	15,926,701
South East Asia	**5,813,223**	11,282,847
Europe	**457,132**	937,159
Taiwan	**23,682,424**	20,604,297
Others	**9,235,743**	7,879,996
	119,336,692	311,602,789

As at 31 December 2008 and 2007, 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.

9. OTHER INCOME

	2008 US$	2007 US$
Compensation from customers for cancellation of orders	**2,223,145**	2,244,691
Gain on disposal of prepaid lease payments	**18,734**	—
Gain on disposal of property, plant and equipment	**—**	14,535
Interest income	**208,421**	1,438,496
Rental income	**—**	13,690
Sales of scrap materials	**1,415,010**	1,368,187
Others	**727,845**	648,211
	4,593,155	5,727,810

10. FINANCE COSTS

	2008 US$	2007 US$
Interest on bank borrowings wholly repayable within five years	**4,696,889**	7,582,069
Effective interest expense on convertible loan notes	**26,651**	—
	4,723,540	7,582,069

11. INCOME TAX (CREDIT) EXPENSE

	2008	2007
	US$	US$
The charge comprises:		
PRC Foreign Enterprise Income Tax ("FEIT")		
Current year	**—**	457,446
(Over) underprovision in prior year	**(433,607)**	128,007
	(433,607)	585,453

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax and Taiwan Income Tax has been made as the Group's profit neither arose in, nor derived from Hong Kong and Taiwan.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate to 25% for all subsidiaries in the PRC from 1 January 2008 except for the tax exemptions of 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") as mentioned below. Such exemptions will continue and be determined based on the new tax rate of 25%.

Pursuant to the relevant laws and regulations in the PRC, Global Flex (Suzhou), Forever Jade (Suzhou) and Global Flex (Suzhou) Plant II, all are PRC subsidiaries of the Company, are entitled to the exemptions from 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. In December 2005, Global Flex (Suzhou) re-invested and increased its capital by US$16,000,000 to US$48,000,000. As a result, Global Flex (Suzhou) is entitled to another Tax Holidays on a capital proportionate basis from the date of re-investment subject to the approval by the relevant tax authority. Accordingly, one-third of the taxable profit of Global Flex (Suzhou) is subject to the Tax Holidays starting from 2005.

Pursuant to the PRC tax laws, Global Flex (Suzhou) Plant II is entitled to full tax exemption from FEIT for two years commencing from 1 January 2008, followed by 50% reduction in FEIT rate for the next three years.

11. INCOME TAX (CREDIT) EXPENSE *(Continued)*

The New Law imposes withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their shareholders. No deferred tax liability has been recognised in respect of such withholding tax due to absence of undistributed profits for the year.

The tax (credit) expense charge for the year can be reconciled to the loss before taxation as follows:

	2008	2007
	US$	US$
Loss before taxation	**(75,527,434)**	(29,192,608)
Tax at the domestic income tax rate of 25% (2007: 27%)	**(18,881,859)**	(7,882,004)
Tax effect of income not taxable for tax purpose	**(850)**	(7,568)
Tax effect of expenses not deductible for tax purpose	**1,757,352**	1,564,825
Tax effect of tax losses not recognised	**9,549,952**	254,729
Tax effect of deductible temporary differences not recognised	**7,575,405**	6,940,889
(Over)underprovision in respect of prior year	**(433,607)**	128,007
Effect of tax exemptions granted to the PRC subsidiaries	**—**	(413,425)
Tax (credit) expense for the year	**(433,607)**	585,453

At 31 December 2008, the Group has unused tax losses of approximately US$39,143,000 (2007: US$943,000) and deductible temporary differences in relation to impairment loss on trade and other receivable and write-down of inventories of approximately US$65,452,000 (2007: US$35,151,000) available for offset against future profits in the Group. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams of the Company. Included in unused tax losses as at 31 December 2008 is an amount of approximately US$38,197,000 (2007: Nil) which will expire in year 2013, all other unused tax losses may be carried forward indefinitely.

12. LOSS FOR THE YEAR

	2008	2007
	US$	US$
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– Salaries and allowances	**17,082,504**	27,795,827
– Retirement benefit scheme contributions	**752,896**	1,237,301
– Share-based payments	**678,223**	1,175,966
Total staff costs	**18,513,623**	30,209,094
Auditor's remuneration	**187,097**	175,974
Write-down of inventories	**3,598,227**	14,091,861
Release of prepaid lease payments	**470,387**	493,105
Redundancy costs	**1,619,998**	—
Cost of inventories recognised as an expense	**144,509,113**	291,175,402
Depreciation of property, plant and equipment	**11,792,224**	10,534,128
Net exchange loss	**899,593**	2,237,735
Loss (gain) on disposal of property, plant and equipment	**3,434,886**	(14,535)

13. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

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

2008

	Wong Chau Chi US$	Lin Cheng Hung US$	Hsu Chung US$	Huang Lien Tsung US$	Chou Tsan Hsiung US$	Nguyen Duc Van US$	Wang Wei-Lin US$	Chow Chi Tong US$	Liao Kuang Sheng US$	Shao Yi US$	Lin Yi Ting US$	Yang Yi US$	Yu Kam Kee, Lawrence US$	Li Jun US$	Total US$
Fees	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other emoluments															
Salaries and other benefits	77,464	118,800	141,626	117,693	17,419	17,419	17,419	17,419	13,548	6,419	58,709	17,419	2,903	17,419	641,676
Bonus															
Retirement benefit scheme contributions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	83,613	22,994	–	–	–	–	–	–	18,813	–	–	–	125,420
Total emoluments	77,464	118,800	225,239	140,687	17,419	17,419	17,419	17,419	13,548	6,419	77,522	17,419	2,903	17,419	767,096

2007

	Wong Chau Chi US$	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$	Chow Chi Tong US$	Liao Kuang Sheng US$	Shao Yi US$	Lin Yi Ting US$	Yang Yi US$	Li Jun US$	Total US$
Fees	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other emoluments															
Salaries and other benefits	63,742	140,156	173,916	111,209	1,935	23,226	23,226	23,226	23,226	23,226	61,452	88,762	21,290	13,548	792,140
Bonus	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Retirement benefit scheme contributions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share-based payments	190,484	–	135,922	–	–	–	–	–	–	–	190,484	–	–	–	516,890
Total emoluments	254,226	140,156	309,838	111,209	1,935	23,226	23,226	23,226	23,226	23,226	251,936	88,762	21,290	13,548	1,309,030

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

The five highest paid individuals in the Group were three (2007: all) directors of the Company and details of their emoluments are included above. The emoluments of the remaining individuals are as follows:

	2008	2007
	US$	US$
Salaries and other emoluments	**206,658**	—
Retirement benefit scheme contributions	**—**	—
Share-based payment	**118,641**	—
	325,299	—

	2008	2007
	Number of employees	Number of employees
HK$nil to HK$1,000,000	**1**	—
HK$1,500,001 to HK$2,000,000	**1**	—
	2	—

During both years, 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.

14. DIVIDENDS

	2008 US$	2007 US$
Ordinary shares:		
Final, paid - Nil (2007: 2.86 HK cents)	—	4,612,903

During the year ended 31 December 2007, dividends of 2.86 HK cents per share were paid to the shareholders of the Company as the final dividends for the year ended 31 December 2006.

No dividend was proposed during 2008, nor has any dividend been proposed since the balance sheet date.

15. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the following data:

	2008 US$	2007 US$
Loss for the purposes of basic loss per share	(75,093,827)	(29,778,061)
Weighted average number of ordinary shares for the purposes of basic loss per share	1,444,016,393	1,250,000,000

No diluted loss per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price for shares for both 2008 and 2007 and the conversion of convertible loan notes would result in decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings US$	Machinery and equipment US$	Motor vehicles US$	Office and other equipment US$	Construction in progress US$	Total US$
COST						
At 1 January 2007	18,164,308	78,165,785	1,109,785	5,252,690	2,882,245	105,574,813
Exchange adjustments	1,253,541	5,394,323	76,588	362,082	198,909	7,285,443
Additions	852,287	12,180,371	142,709	314,910	10,053,548	23,543,825
Transfer	471,894	506,241	—	6,815	(984,950)	—
Disposals	—	—	(185,257)	—	—	(185,257)
At 31 December 2007	20,742,030	96,246,720	1,143,825	5,936,497	12,149,752	136,218,824
Exchange adjustments	1,702,713	6,619,055	72,445	396,352	5,047,873	13,838,438
Additions	326,699	3,464,098	30,564	78,792	10,053,548	13,953,701
Transfer	16,283,668	10,356,528	—	—	(26,640,196)	—
Disposals	—	(13,229,397)	(404,047)	(761,590)	(492,301)	(14,887,335)
At 31 December 2008	**39,055,110**	**103,457,004**	**842,787**	**5,650,051**	**118,676**	**149,123,628**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2007	3,628,987	20,065,281	389,259	1,624,805	—	25,708,332
Exchange adjustments	250,441	1,238,373	26,863	112,015	—	1,627,692
Provided for the year	1,090,835	8,415,635	204,883	822,775	—	10,534,128
Impairment loss recognised in the consolidated income statements	—	5,366,859	—	—	—	5,366,859
Eliminated on disposals	—	—	(165,708)	—	—	(165,708)
At 31 December 2007	4,970,263	35,086,148	455,297	2,559,595	—	43,071,303
Exchange adjustments	362,192	2,766,018	31,593	184,187	—	3,343,990
Provided for the year	1,226,191	9,583,542	183,737	798,754	—	11,792,224
Eliminated on disposals	—	(7,543,878)	(166,738)	(292,956)	—	(8,003,572)
At 31 December 2008	**6,558,646**	**39,891,830**	**503,889**	**3,249,580**	**—**	**50,203,945**
CARRYING VALUES						
At 31 December 2008	**32,496,464**	**63,565,174**	**338,898**	**2,400,471**	**118,676**	**98,919,683**
At 31 December 2007	15,771,767	61,160,572	688,528	3,376,902	12,149,752	93,147,521

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment other than construction in progress 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 carrying value of US$43,112,102 (2007: US$12,100,264) to secure general banking facilities granted to the Group.

During the year ended 31 December 2007, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to operating loss. Accordingly, an impairment loss of US$5,366,859 had been recognised in respect of machinery and equipment, which were used in the Group's rigid printed circuit board assembly segment. The recoverable amounts of the relevant assets had been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 7.3% in relation to machinery and equipment.

17. PREPAID LEASE PAYMENTS

	2008	2007
	US$	US$
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**1,759,209**	2,254,440
Short lease	**1,280,250**	1,608,576
	3,039,459	3,863,016
Analysed for reporting purposes as:		
Current asset	**478,213**	459,233
Non-current asset	**2,561,246**	3,403,783
	3,039,459	3,863,016

The Group has pledged prepaid lease payments having a carrying value of US$1,759,209 (2007: US$701,778) to secure general banking facilities granted to the Group.

18. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investment represents the club debenture which is held on a long-term basis.

19. INVENTORIES

	2008	2007
	US$	US$
Raw materials	**1,907,883**	18,145,532
Work-in-progress	**2,423,026**	5,060,438
Finished goods	**2,224,007**	16,763,785
	6,554,916	39,969,755

20. TRADE AND OTHER RECEIVABLES

	2008	2007
	US$	US$
Trade receivables	**44,060,599**	78,001,426
Less: Accumulated impairment	**(34,336,067)**	(9,656,240)
	9,724,532	68,345,186
Other receivables	**5,048,969**	17,971,115
Total trade and other receivables	**14,773,501**	86,316,301

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

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

	2008	2007
	US$	US$
Trade receivables:		
0 - 30 days	**2,538,902**	36,963,079
31 - 60 days	**3,631,788**	11,408,044
61 - 90 days	**3,164,949**	10,015,531
91 - 120 days	**354,604**	6,000,617
121 - 150 days	**196**	1,332,570
Over 150 days	**34,093**	2,625,345
	9,724,532	68,345,186

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$185,603 (2007: US$10,071,568) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2008	2007
	US$	US$
0 - 30 days	—	—
31 - 60 days	—	122,032
61 - 90 days	71,766	1,087,489
91 - 120 days	79,548	5,453,337
121 - 150 days	196	897,150
151 - 365 days	34,093	2,511,560
	185,603	10,071,568

Other than the above trade receivable which are past but not impaired, the Group has provided fully for all receivables over 365 days because historical experience is that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the impairment loss on trade receivables

	2008	2007
	US$	US$
Balance at beginning of the year	9,656,240	3,407,964
Exchange adjustment	773,180	—
Impairment loss recognised on trade receivables	23,906,647	6,248,276
Balance at end of the year	34,336,067	9,656,240

In determining the recoverability of a trade receivable, the Group consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$34,336,067 (2007: US$9,656,240) which have either been long outstanding debts or in severe financial difficulties. The Group does not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the impairment loss on other receivables

	2008	2007
	US$	US$
Balance at beginning of the year	—	—
Impairment loss recognised on other receivables	2,796,747	—
Balance at end of the year	2,796,747	—

The carrying amounts of the Group's foreign currency denominated trade and other receivables at the reporting date are as follows:

	2008	2007
	US$	US$
United States dollar	9,910,846	68,516,056

21. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank balances carry interest at market rates which range from 0.3% to 2.6% (2007: 4.36% to 5.3%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits were released upon the settlement of relevant bank borrowings in the year.

22. TRADE AND OTHER PAYABLES

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

	2008	2007
	US$	US$
Trade payables:		
0 - 90 days	**5,085,382**	50,314,839
91 - 120 days	**3,228,152**	8,868,217
121 - 180 days	**6,140,602**	4,744,957
181 - 365 days	**10,213,272**	4,215,641
Over 365 days	**10,828,900**	1,716,790
	35,496,308	69,860,444
Other payables	**19,285,018**	14,114,868
Total trade and other payables	**54,781,326**	83,975,312

The average credit period on purchases of goods is 150 days. The Group is negotiating with the Group's suppliers to reschedule the repayments.

The carrying amounts of the Group's foreign currency denominated trade and other payables at the reporting date are as follows:

	2008	2007
	US$	US$
United States dollar	**22,752,612**	43,143,356

23. AMOUNT DUE TO A RELATED COMPANY/DIRECTOR

The amounts are unsecured, non-interest bearing and repayable on demand. A related company is a substantial shareholder of the Company.

24. CONVERTIBLE LOAN NOTES

On 5 December 2008, the Company issued unsecured zero coupon convertible loan notes at a par value of HK$21,000,000 (equivalents to US$2,709,677) and the subscription price is HK$21,420,000 (equivalent to US$2,763,867). The convertible loan notes are denominated in Hong Kong dollars. The notes entitle the holders to convert it into ordinary shares of the Company at any time between the date of issue of the notes and their maturity date on 5 December 2010 at an initial conversion price of HK$0.10 per share (subject to anti-dilutive adjustments).

Besides those anti-dilutive adjustments, the conversion price will be adjusted and re-set every three months, being January, April, July and October, in a year during the term of the convertible loan notes remain outstanding. By this arrangement, the conversion price shall be re-set and adjusted to the lower of (a) HK$0.10 and (b) 80% of the value weighted average price per share for the past 20 trading days ending at the end of each of these three month intervals, provided that the first end date falling after issue of the notes must be at least three months after the date of issues (the "Market Price Re-set"). The highest and the lowest conversion prices permitted under the Market Price Re-set shall be limited to HK$0.10 and HK$0.01 per share respectively.

The above adjustments will be effective unless and until the following conditions for compliance with Listing Rules, the constitutional documents of the Company and applicable law and regulations are duly fulfilled:

1. the capital reorganisation becoming effective, such that the par value of the shares shall be reduced to HK$0.01 each;

2. the necessary specific approval being granted by the independent shareholders at the extraordinary general meeting for the convertible notes subscription agreement and transactions contemplated therein and to grant a specific mandate for the issue and allotment of the conversion shares at the conversion price adjusted and/or reset in addition to and, where applicable, including the 210,000,000 shares allowed under the general mandate; and

3. (if required) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, these conversion shares as mentioned in point 2 above.

If and when the conditions set out above are not satisfied in accordance with the relevant timetable published and revised by the Company from time to time under the Listing Rules, the Company shall give prompt written notice to the noteholder to confirm such fact. The holders shall have the right to require the Company to redeem the notes at a predetermined formula.

In accordance with the convertible notes subscription agreement, the Group default the payment of bank borrowing which described in note 25 and the holders can request the Company to repay immediately at the principal amount then outstanding together with interest, if any, from the date of issue. Accordingly the entire convertible loan notes was classified as current liability.

If the notes have not been converted before maturity date, they will be redeemed on 5 December 2010 at 125% of par value amounted to HK$26,250,000 (equivalents to US$3,387,096).

24. CONVERTIBLE LOAN NOTES *(Continued)*

The convertible notes contain two components, liability component and conversion option derivative.

The movement of convertible loan notes is set out as below:

	Liability component US$	Conversion option derivative US$	Total US$
At 1 January 2008	—	—	—
Issue during the year	2,709,838	54,029	2,763,867
Interest charge	26,651	—	26,651
As at 31 December 2008	2,736,489	54,029	2,790,518

There has been no conversion or redemption of convertible loan notes since its issue.

25. BANK BORROWINGS

	2008	2007
	US$	US$
Bank borrowings	**39,854,148**	69,096,519
Secured (note 35)	**39,842,604**	60,607,418
Unsecured	**11,544**	8,489,101
	39,854,148	69,096,519

The maturity profile of the above bank borrowings is as follows:

On demand or within one year	**39,854,148**	69,096,519

Bank borrowings with carrying amounts of US$1,630,000 as at 31 December 2008 were default. On discovery of the default, the directors of the Company renegotiated the terms of the borrowings with the relevant bank. As at 31 December 2008 and up to the date of this report, those negotiations had not been concluded. The directors of the Company are confident that their negotiations with the bank will ultimately reach a successful conclusion.

The carrying amounts of the Group's foreign currency denominated bank borrowings at the reporting date are as follows:

	2008	2007
	US$	US$
United States dollar	**11,544**	9,150,000

Bank borrowings were variable-rate borrowings which carried interest rate of the People's Bank of China. The ranges of effective interest rate ranging from 3.28% to 9.36% (2007: 4.65% to 7.29%) per annum and were repayable by instalments over the borrowings period.

26. SHARE CAPITAL

	Number of shares	Nominal value HK$	Presented as US$
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2007, 31 December 2007 and 2008	5,000,000,000	500,000,000	
Issued and fully paid:			
At 1 January 2007 and 31 December 2007	1,250,000,000	125,000,000	16,129,032
Issue of new shares (note)	340,000,000	34,000,000	4,387,097
At 31 December 2008	1,590,000,000	159,000,000	20,516,129

Note:

On 21 May 2008, the Company entered into a subscription agreement with subscribers for the subscription of an aggregate 250,000,000 new shares of the Company for an aggregate consideration of HK$36,500,000 (equivalent to US$4,709,679) at a subscription price of HK$0.146 per subscription share.

On 11 July 2008, the Company entered into a subscription agreement with subscribers for the subscription of an aggregate 90,000,000 new shares of the Company for an aggregate consideration of HK$10,800,000 (equivalent to US$1,393,547) at a subscription price of HK$0.12 per subscription share.

27. SHARE OPTION SCHEME

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

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

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

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue on 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 2008, the total number of shares available for issue in respect thereof is 125,000,000 shares, representing 10% of the total issued shares on 10 October 2005.

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.

27. SHARE OPTION SCHEME *(Continued)*

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.

Details of the share options granted and outstanding under the Share Option Scheme during the year were as follows:

					Number of share options								
Category	Date of grant	Exercise price HK$	Vesting period	Exercise period	Outstanding at 1/1/2007	Granted during the year	Exercised during the year	Cancelled and lapsed during the year	Outstanding at 31/12/2007 and 1/1/2008	Granted during the year	Exercised during the year	Cancelled and lapsed during the year	Outstanding at 31/12/2008
Directors													
Wong Chau Chi	24 January 2007	0.475	24 January 2007 to 23 July 2007	24 July 2007 to 23 January 2010	–	12,500,000	–	–	12,500,000	–	–	–	12,500,000
*Shao Yi	24 January 2007	0.475	24 January 2007 to 23 July 2007	24 July 2007 to 23 January 2010	–	12,500,000	–	–	12,500,000	–	–	–	12,500,000
Hsu Chung	27 December 2007	0.52	27 December 2007 7 January 2008	8 January 2008 to 6 January 2011	–	12,500,000	–	–	12,500,000	–	–	–	12,500,000
Total directors					–	37,500,000	–	–	37,500,000	–	–	–	37,500,000
Consultants	24 January 2007	0.475	24 January 2007 to 23 July 2007	24 July 2007 to 23 January 2010	–	37,500,000	–	–	37,500,000	–	–	–	37,500,000
Employees	10 August 2007	0.49	10 August 2007 to 9 August 2008	10 August 2008 to 9 August 2011	–	2,333,333	–	–	2,333,333	–	–	(2,333,333)	–
			10 August 2007 to 9 August 2009	10 August 2009 to 9 August 2011	–	2,333,333	–	–	2,333,333	–	–	(2,333,333)	–
			10 August 2007 to 9 August 2010	10 August 2010 to 9 August 2011	–	2,333,334	–	–	2,333,334	–	–	(2,333,334)	–
					–	7,000,000	–	–	7,000,000	–	–	(7,000,000)	–

27. SHARE OPTION SCHEME *(Continued)*

Category	Date of grant	Exercise price HK$	Vesting period	Exercise period	Number of share options: Outstanding at 1/1/2007	Granted during the year	Exercised during the year	Cancelled and lapsed during the year	Outstanding at 31/12/2007 and 1/1/2008	Granted during the year	Exercised during the year	Cancelled and lapsed during the year	Outstanding at 31/12/2008
Employee	23 August 2007	0.47	23 August 2007 to 22 August 2008	23 August 2008 to 22 August 2011	–	3,333,333	–	–	3,333,333	–	–	–	3,333,333
			23 August 2007 to 22 August 2009	23 August 2009 to 22 August 2011	–	3,333,333	–	–	3,333,333	–	–	–	3,333,333
			23 August 2009 to 22 August 2010	23 August 2010 to 22 August 2011	–	3,333,334	–	–	3,333,334	–	–	–	3,333,334
					–	10,000,000	–	–	10,000,000	–	–	–	10,000,000
Total					–	92,000,000	–	–	92,000,000	–	–	(7,000,000)	85,000,000

* Mr. Shao Yi resigned on 1 February 2008 and being consultants of the Group after resignation.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The estimated fair value of the options granted on the date was HK$11,386,000 (equivalent to US$1,469,161). The fair value for share options granted during the year ended 31 December 2007 were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2007
Grant date share price	HK$0.28 - HK$0.49
Exercise price	HK$0.47 - HK$0.52
Expected volatility (Note)	50.73% - 64.04%
Expected life	2.5 - 3.5 years
Expected dividend yield	7.29% - 8.62%
Risk-free rate of interest	3.67% - 4%

Note: Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group has recognised total expenses in consolidated income statement of approximately US$122,000 (2007: US$1,176,000) related to the share options granted.

28. CAPITAL RESERVE

Capital reserve represents of the capital contribution from the controlling shareholder of the Company through the shares granted by the controlling shareholders to the employees of the Company. During the year ended 31 December 2008, a controlling shareholder of the Company bestowed 26,600,000 ordinary shares in the Company to several employees of the Company. The market price per share of the Company at the date of grant is HK$0.162. This transaction has been accounted for an equity-settled share-based payment transaction and the Company measured the services rendered, and the corresponding increase in equity, by reference to the fair value of the shares given at the grant date. The Group has recognised total expenses of US$556,026 in the consolidated income statement.

29. MERGER RESERVE

The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of Global Technology International Ltd., a subsidiary of the Company, acquired pursuant to a group reorganisation on 5 July 2005.

30. STATUTORY RESERVE

Pursuant to the relevant regulations applicable to foreign investment enterprises established in the PRC, certain PRC subsidiaries of the Company are required to transfer certain percent of its profit after taxation to the statutory reserve. The balances of the statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to offset accumulated losses or increase capital.

31. MAJOR NON-CASH TRANSACTION

During the year, proceeds from disposal of property, plant and equipment with aggregate amount of US$342,573 was off set with other payable.

32. MATERIAL LITIGATION

A subsidiary of the Company has been named as defendants in several PRC court actions in respect of default payment of payable to suppliers and creditors for an aggregate amount of approximately US$26,960,000. The claimed amounts were fully recognised in the consolidated financial statements.

33. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases was US$346,510 (2007: US$301,771).

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

	2008	2007
	US$	US$
Within one year	**175,294**	243,881
In the second to fifth year inclusive	**24,433**	158,661
	199,727	402,542

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 ended 31 December 2007 was US$13,690. The properties held for rental purpose had committed tenants for a term ranged from one to two years.

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

	2008	2007
	US$	US$
Within one year	**—**	13,690
In the second to fifth year inclusive	**—**	13,690
	—	27,380

34. CAPITAL COMMITMENTS

	2008 US$	2007 US$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**472,720**	12,911,502

35. 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:

	2008 US$	2007 US$
Property, plant and equipment	**43,112,102**	12,100,264
Prepaid lease payments	**1,759,209**	701,778
Trade receivables	**—**	22,185,743
Bank deposits	**—**	8,597,630

36. 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 consolidated income statement of US$752,896 (2007: US$1,237,301) represents contributions payable to this scheme by the Group in respect of the current accounting period. As at 31 December 2008, contributions of US$341,642 (2007: US$314,756) due in respect of the reporting period had not been paid over to the scheme.

37. RELATED PARTY DISCLOSURES

Save as disclosed above for those related party balances at balance sheet date, during the year, the Group had the following significant transactions with related parties:

Name of related parties	Nature of transactions	2008 US$	2007 US$
Mr. Hsu Chung, a director	Rental paid	**20,863**	23,738
Chi Capital Partners Limited	Rental paid	**58,839**	9,806
	Consultancy fee paid	**61,935**	10,323
Vertex Precision Electronics Inc.	Purchase of materials	**1,287,991**	—
	Purchase of machineries and equipments	**—**	1,773,000

In addition to above, for the year ended 31 December 2008, a property held by Mr. Wong Chau Chi was occupied by a subsidiary for nil consideration.

Chi Capital Partners Limited is beneficially owned by Mr. Wong Chau Chi, a director of the Company.

Vertex Precision Electronics Inc. is a substantial shareholder of the Company.

Compensation of key management personnel

The remuneration of directors of the Company during the year were as follows:

	2008 US$	2007 US$
Short-term benefits	**641,676**	782,119
Post-employment benefits	**—**	10,021
Share-based payments	**125,420**	516,890
	767,096	1,309,030

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

Shares are granted by the controlling shareholder of the Company to several members of key management during the year, details of which were disclosed in note 28.

Share options were granted to general members of key management for the year ended 31 December 2007 as set out in note 27.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries for the year ended 31 December 2008 and 2007 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		
				2008	2007	**2008**	2007	
Forever Jade Holding Limited	Samoa	Ordinary	US$7,400,000	**100%**	100%	**—**	—	Investment holding
* Forever Jade Electronics (Suzhou)	The PRC	Capital contribution	US$7,400,000	**—**	—	**100%**	100%	Manufacturing and trading of rigid printed circuit boards assembly
Global Technology International Ltd.	British Virgin Islands/ Taiwan	Ordinary	US$48,000,000	**100%**	100%	**—**	—	Investment holding and trading of printed circuit boards
Global Flex Technology (Korea) Inc.	Korea	Ordinary	WON50,000,000	**—**	—	**100%**	100%	Trading of printed circuit boards

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

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		
				2008	2007	**2008**	2007	
* Global Flex (Suzhou)	The PRC	Capital contribution	US$48,000,000	**–**	–	**100%**	100%	Manufacturing and trading of printed circuit boards
Value Manage International Limited	Hong Kong	Ordinary	HK$2,000,000	**–**	–	**100%**	100%	Provision of administrative service
* Global Flex (Suzhou) Plant II	The PRC	Capital contribution	US$29,600,000	**–**	–	**100%**	100%	Property holding
Global Technology International Ltd. - Taiwan Branch	Taiwan	Capital contribution	NT$1,000,000	**–**	–	**100%**	100%	Provision of administrative service
**Global Flex Trading Center Limited	Samoa	Ordinary	*** US$2,000,000	**100%**	–	**–**	–	Trading of printed circuit

*	These subsidiaries are wholly-foreign-owned enterprises established in the PRC.
**	This subsidiary was incorporated during the year.
***	All issued shares has not been paid as at 31 December 2008.

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

39. POST BALANCE SHEET EVENTS

(a) On 19 January 2009, an extraordinary general meeting of the Company was held and approved the reorganisation of the share capital of the Company involving reduction of the issued share capital by reducing the nominal value of each share in issue from HK$0.10 to HK$0.01 and canceling paid-up capital to the extent of HK$0.09 for each issue share and the sub-division of the unissued shares (the "Capital Reorganisation").

The Capital Reorganisation will become effective subject to the approval from the Grand Court of the Cayman Islands which was scheduled in late April 2009.

(b) Pursuant to the announcement dated 3 March 2009, Global Flex (Suzhou) ("Subsidiary"), has applied to the people's court of Wuzhong ("Wuzhong Court") in Suzhou City for restructuring on 2 March 2009. The Subsidiary has made a submission to the Wuzhong Court for recommendation to appoint an administrator of the debt restructuring.

On 9 March 2009, the Wuzhong Court made an order approving the debt restructuring application of the Subsidiary and the debt restructuring become effective on 9 March 2009.

RESULTS

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	US$	US$	US$	US$	**US$**
Turnover	165,732,442	176,900,271	315,536,882	311,602,789	**119,336,692**
Profit (Loss) for the year	25,106,432	14,189,312	12,388,005	(29,778,061)	**(75,093,827)**

ASSETS AND LIABILITIES

	As at 31 December				
	2004	2005	2006	2007	**2008**
	US$	US$	US$	US$	**US$**
Total assets	169,021,398	248,932,789	339,712,676	245,481,965	**129,018,530**
Total liabilities	(111,378,714)	(144,195,533)	(222,179,293)	(153,522,708)	**(99,932,601)**
Shareholders' funds	57,642,684	104,737,256	117,533,383	91,959,257	**29,085,929**

Notes:

1. The financial information for year ended 31 December 2004 has been prepared using the principles of merger accounting to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for the year ended 31 December 2004, and the assets and liabilities as at 31 December 2004 have been extracted from the Company's prospectus dated 28 September 2005.

2. The results for three years ended 31 December 2007, and the assets and liabilities as at 31 December 2005, 2006 and 2007 have been extracted from the Company's respective years' annual reports.