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)

2009

Interim Report

Contents

Board of Directors

Executive Directors

Mr. Wong Chau Chi *(Chairman)*
Mr. Lin Cheng Hung
(retired with effect from 30 June 2009)
Mr. Hsu Chung
(retired with effect from 30 June 2009)
Mr. Huang Lien Tsung
(retired with effect from 30 June 2009)

Non-executive Directors

Mr. Chou Tsan Hsiung
Mr. Yang Yi
Dr. Li Jun
Mr. Nguyen Duc Van
(retired with effect from 30 June 2009)

Independent Non-executive Directors

Mr. Wang Wei-Lin
Mr. Yu Kam Kee, Lawrence BBS, MBE, JP
Mr. Chow Chi Tong
(retired with effect from 30 June 2009)

Members of Audit Committee

Mr. Yu Kam Kee, Lawrence, BBS, MBE, JP
Mr. Chou Tsan Hsiung
Mr. Chow Chi Tong
(retired with effect from 30 June 2009)

Members of Remuneration Committee

Mr. Wang Wei-Lin *(Chairman)*
Mr. Chou Tsan Hsiung
Mr. Yu Kam Kee, Lawrence, BBS, MBE, JP
Mr. Chow Chi Tong
(retired with effect from 30 June 2009)

Company Secretary

Mr. Cheung Kai Cheong, Willie, FCCA, CPA

Authorised Representatives

Mr. Wong Chau Chi
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 Place of Business in Hong Kong

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Stock Code: 471

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

REVIEW OF OPERATIONS

The principal activity of Global Flex Holdings Limited ("Company") is investment holding whilst its subsidiaries are mainly engaged in manufacture and trading of printed circuit boards and assembly.

During the six months ended 30 June 2009 ("Period"), the Company and its subsidiaries (collectively, the "Group") recorded a total turnover of approximately US$3.4 million, representing a decrease of approximately US$65.6 million (95.1%) as compared to the corresponding period of 2008, in which flexible printed circuit boards ("FPC") solutions decreased approximately US$40.7 million and rigid printed circuit board ("PCB") solutions decreased approximately US$24.9 million. 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").

On 9 March 2009, Global Flex (Suzhou) Co., Ltd ("Global Flex (Suzhou)"), a major subsidiary of the Company, has been granted approval from the Wuzhong Court ("Court") in Suzhou City, Jiangsu Province of the People's Republic of China ("PRC") to undertake restructuring ("Restructuring") for the purpose of dealing with and settling its indebtedness. During the Period, Global Flex (Suzhou) has been undergoing the Restructuring and it had massively cut costs, reduced debts, streamlined operations and sought new investment opportunities.

On 18 August 2009, Global Flex (Suzhou) has submitted a final restructuring plan ("Restructuring Plan") to the Court for the purpose of settling all or part of the liabilities of Global Flex (Suzhou) to its creditors. Under the Restructuring Plan, Global Flex (Suzhou) will:

(i) repay a significant portion of debts to its creditors;

(ii) seek waiver on a significant portion of the remaining debts with its unsecured creditors;

(iii) defer repayment of all remaining debts to three years after the date of approval of the Restructuring Plan by its creditors;

(iv) negotiate a five years term loans with the banks with repayment of the principal sum on the first day of the sixth year after the date of approval of the Restructuring Plan by its creditors and the banks will maintain the original pledges of assets plus other assets of Global Flex (Suzhou) not previously pledged; and

(v) resume normal business operations as a PCB producer in cooperation with the Group's strategic partner.

FINANCIAL REVIEW

For the Period, the Group recorded a turnover of approximately US$3.4 million, gross loss of approximately US$12.1 million and loss of approximately US$17.4 million as compared to a turnover of approximately US$69.0 million, gross loss of approximately US$19.2 million and loss of approximately US35.0 million for the six months ended 30 June 2008, representing a decrease in turnover of approximately 95.1%, decrease in gross loss and loss of approximately 37.0% and 50.3% respectively.

Turnover

The turnover of the Group for the Period and the comparative figures of the corresponding period of 2008 classified by categories of the major operations are set out below:

Turnover by operations

	Six months ended 30 June 2009		Six months ended 30 June 2008		**Change**
	US$'000 (unaudited)	**%**	US$'000 (unaudited)	%	%
FPC solutions					
FPCA	**2,655**	**78.0**	35,249	51.0	(92.5)
FPC	**622**	**18.3**	8,757	12.7	(92.9)
Total FPC solutions	**3,277**	**96.3**	44,006	63.7	(92.6)
PCB solutions					
PCBA	**64**	**1.9**	10,260	14.9	(99.4)
PCB	**62**	**1.8**	14,775	21.4	(99.6)
Total PCB solutions	**126**	**3.7**	25,035	36.3	(99.5)
Total	**3,403**	**100.0**	69,041	100.0	(95.1)

The Group's turnover was mainly derived from the sales of FPC solutions and PCB solutions. With reference to the above table, turnover from the sales of FPC solutions and sales of PCB solutions for the Period were approximately US$3.2 million and US$126,000 (2008: US$44.0 million and US$25.0 million) respectively, representing approximately 96.3% and approximately 3.7% of the total sales of the Group (2008: 63.7% and 36.3%) during the Period respectively.

During the Period, the turnover of FPCA decreased by approximately US$32.5 million (92.5%), the turnover of FPC decreased by approximately US$8.2 million (92.9%), the turnover of PCBA decreased by approximately US$10.2 million (99.4%) and the turnover of PCB decreased by approximately US$14.7 million (99.6%). The decrease in turnover was mainly attributable to suspension of certain level of operation in a major subsidiary.

Gross profit (loss) margin by operations

	Six months ended 30 June 2009	Six months ended 30 June 2008
	%	%
FPC solutions		
FPCA	**(37.0)**	2.6
FPC	**(616.7)**	(27.4)
PCB solutions		
PCBA	**(284.4)**	(141.9)
PCB	**(7,319.4)**	(21.5)
Overall	**(355.9)**	(27.9)

The Group's total gross loss for all operations decreased from approximately US$19.2 million for the six months ended 30 June 2008 to gross loss of approximately US$12.1 million for the Period. The overall gross loss margin increased from approximately 27.9% for the six months ended 30 June 2008 to approximately 355.9% for the Period. The decline in gross loss margin of the Group were mainly due to suspension of certain level of operation in a major subsidiary.

Operating expenses

During the Period, the Group's distribution and selling expenses decreased by 88.9% to approximately US$0.3 million (six months ended 30 June 2008: 2.7 million). The items comprising the distribution and selling expenses were in line with the level of turnover.

During the Period, the Group's administrative expenses decreased by 10.8% to approximately US$3.3 million (six months ended 30 June 2008: US$3.7 million) and the Group's impairment loss on trade and other receivables decreased by 87.5% to approximately US$0.9 million (six months ended 30 June 2008: US$7.2 million). Both deceases were mainly due to tightening of the control on the expenses incurred for administration and improve the credit control on the trade receivables respectively during the Period.

The finance costs decreased by 61.5% to approximately US$1.0 million (six months ended 30 June 2008: US$2.6 million) during the Period, given the banks in the PRC had further tightened the Group's credit facilities, which led to a reduction in the principal of the bank borrowings and the finance costs decreased accordingly.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had shareholders' funds of approximately US$12.7 million. Current assets amounted to approximately US$9.7 million. It mainly comprises bank balances and cash of approximately US$2.8 million and trade and other receivables of approximately US$6.2 million. Current liabilities amounted to approximately US$90.3 million. It mainly comprises bank borrowings of approximately US$39.8 million, trade other payables of approximately US$48.2 million and convertible loan notes of approximately US$1.9 million.

As at 30 June 2009, the Group's current ratio was 0.11 (2008: 0.71) and the gearing ratio (a ratio of total loans to total assets) was 40.5% (2008: 28.2%).

As at 30 June 2009, the Group's bank loan balance was about US39.8 million, all loans were fixed rate borrowings which carried interest ranging from 5.83% to 9.01% per annum.

On 19 January 2009, an extraordinary general meeting of the Company was held and approved the reorganization of the share capital of the Company involving reduction of the issued share capital of the Company by reducing the nominal value of each share (each a "Share" and collectively the "Shares") of the Company in issue from HK$0.10 to HK$0.01 and cancelling paid-up capital to the extent of HK$0.09 for each Share in issue and the sub-division of the unissued Shares ("Capital Reorganization"). The Capital Reorganization became effective after the approval from the grand court of the Cayman Islands on 29 April 2009.

During the Period, convertible loan notes with principal amounts of approximately HK$7 million (equivalent to approximately US$0.9 million) were converted into approximately 239,725,000 Shares of HK$0.01 each in the share capital of the Company at the conversion prices of HK$0.0292 per Share (after adjustment to conversion price from HK$0.10 per Share to HK$0.0292 per Share).

FOREIGN EXCHANGE EXPOSURE

For the Period, most assets, liabilities and transactions of the Group are denominated in Renminbi ("RMB"), Hong Kong Dollars ("HK$") and US$. The management believes that foreign exchange risk does not affect the Group since the sales and purchases in US$ substantially hedged the risks of the transactions in foreign currency and the Group did not make any other hedging arrangement during the Period.

SEGMENT INFORMATION

Details of segment information of the Group for the Period are set out in note 3 to the condensed consolidated financial statements.

EMPLOYEE BENEFITS

For the Period, the average number of employees of the Group was approximately 1,500 (2008: 5,000), and the Group's staff costs amount to approximately US$2.2 million (six months ended 30 June 2008: US$5.7 million). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the Period, the Company had not granted any share options (six months ended 30 June 2008: Nil) to employees of the Group or directors ("Directors") of the Company 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.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

During the Period, the Group did not have any material acquisition or disposals of subsidiaries or associates. On 30 July 2009, the Group entered into the sale and purchase agreements regarding the disposals ("Disposals") of its subsidiary, Global Flex (Suzhou) Plant II Co., Ltd and certain property, plant and equipment in relation to the business of FPC solutions in Global Flex (Suzhou) with aggregated consideration of RMB199.5 million (equivalent to US$29.2 million). Upon completion of the above Disposals, the Group will become a 20% minority shareholder of the purchaser, namely Hi-P Flex Pte Ltd. ("Purchaser"). The completion of the Disposals is expected to take place within October 2009. After the completion of the Disposals, the Group will continue to engage in the manufacturing, assembling and trading of PCB solutions and discontinue the manufacturing, assembling and trading of FPC solutions.

CHARGE ON ASSETS

As at 30 June 2009, pledges of the Group's properties, trade receivables, bank deposits and prepaid lease payments amounted to approximately US$42.6 million, Nil, Nil and US$1.8 million respectively (2008: US$27.0 million, US$8.8 million, US$5.4 million and US$0.7 million) to secure bank borrowings.

CONTINGENT LIABILITIES

As at 30 June 2009, neither the Group nor the Company has any significant contingent liabilities (2008: Nil).

PROSPECTS

Following the completion of the Disposals and the restructuring of Global Flex (Suzhou), the Group will focus on the PCB business and will hold 20% interest in the Purchaser, which will focus on FPC business. The Company will collaborate with the Purchaser to build a vertically integrated production platform for new generation mobile electronics and multimedia solutions, which would mark an important step for the Company's transformation and new business repositioning. In addition, the Company expects to explore new businesses such as 3G and mobile TV and multimedia and is exploring opportunities in acquiring assets to strategically create a business and investment platform, which is expected to help the Company continue to thrive and maximize value for Shareholders in the long run.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30 June 2009, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(a) Ordinary shares

Name of Director	Capacity/nature of interest	Total number of ordinary shares held (Note 1)	Approximate percentage of interest (Note 3)
Mr. Wong Chau Chi	Beneficial owner	12,500,000 (L)	0.683%
	Interest of controlled corporation (Note 2)	85,570,000 (L)	4.677%

Notes:

1. The letter "L" denotes the Director's 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.

3. The approximate percentage of interest is calculated based on the total number of issued shares of the Company of 1,829,725,000 as at 30 June 2009.

(b) Share options

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

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 (within the meaning of Part XV of the SFO) as at 30 June 2009 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 Period, no share option was granted or exercised under the Scheme. Movements of the share options of the Company during the Period are listed below:

		Number of share options							
Category	Date of grant	Outstanding at 1 January 2009	Granted during the Period	Exercised during the Period	Cancelled and lapsed during the Period	Outstanding at 30 June 2009	Exercise price per share HKD	Vesting period	Exercise period
Director									
Mr. Wong Chau Chi	24 January 2007	12,500,000	–	–	–	12,500,000	0.475	24 January 2007 to 23 July 2008	24 July 2007 to 23 January 2010
Mr. Hsu Chung	27 December 2007	12,500,000	–	–	12,500,000	–	0.52	27 December 2007 to 7 January 2008	27 December 2007 to 6 January 2011
Total directors		25,000,000	–	–	12,500,000	12,500,000			
Employee	23 August 2007	3,333,333	–	–	3,333,333	–	0.47	23 August 2007 to 22 August 2008	23 August 2008 to 22 August 2011
		3,333,333	–	–	–	3,333,333	0.47	23 August 2007 to 22 August 2009	23 August 2009 to 22 August 2011
		3,333,334	–	–	–	3,333,334	0.47	23 August 2007 to 22 August 2010	23 August 2010 to 22 August 2011
Total employee		10,000,000	–	–	3,333,333	6,666,667			
Others	24 January 2007	50,000,000	–	–	–	50,000,000	0.475	24 January 2007 to 23 July 2008	24 July 2007 to 23 January 2010
Total		85,000,000	–	–	15,833,333	69,166,667			

Save as disclosed above, the Company has no other options, warrant, derivatives, convertible notes or other securities of the Company convertible into or giving rights to subscribe for shares as at 30 June 2009.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the paragraph "SHARE OPTIONS" above, at no time during the Period 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 Period or at any time during the Period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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)	**Approximate percentage of interest**
Hansom Group Limited (Note 2)	Beneficial owner	479,452,054 (L)	26.20%
Goodluck Overseas Limited (Note 2)	Interest of controlled corporation	479,452,054 (L)	26.20%
Zhou Qingzhi (Note 2)	Interest of controlled corporation	479,452,054 (L)	26.20%
Shikumen Special Situations Fund (Note 3)	Beneficial owner	240,761,027 (L)	13.16% (Note4)
Lau Jeffrey Chun Hung (Note 3)	Investment manager	240,761,027 (L)	13.16% (Note 4)
Tang Yu Ming, Nelson (Note 3)	Investment manager	240,761,027 (L)	13.16% (Note 4)
Ta Chong Bank Co. Ltd.	Security interest in shares	130,000,000 (L)	7.1% (Note 5)

Notes:

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

2. These shares represent the same parcel of Shares. 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.

3. These shares represent the same parcel of Shares. Lau Jeffrey Chun Hung and Tang Yu Ming Nelson are deemed to be interested in these Shares by virtue of 34.7% and 52.0% interests respectively in Shikumen Capital Management Limited, which in turn is deemed to be interested in these Shares by virtue of its 100% interest in Shikumen Special Situations Fund.

4. Based on the substantial shareholder notices filed by the relevant substantial shareholders on 22 June 2009, the percentage figure after the relevant event is shown to be "15.14%". Given the total number of issued shares of the Company has increased to 1,829,725,000 since 10 June 2009, this percentage figure is calculated based on the total number of 1,829,725,000 shares of the Company in issue as at 30 June 2009.

5. Based on the substantial shareholder notice filed by Ta Chong Bank Co. Ltd. on 22 June 2007, the percentage figure after the relevant event is shown to be "10.40%". Given the total number of issued shares of the Company has increased to 1,829,725,000 since 10 June 2009, this percentage figure is calculated based on the total number of 1,829,725,000 shares of the Company in issue as at 30 June 2009.

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 or 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 30 June 2009.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Period, 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 ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the Period and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the Period.

CODE ON CORPORATE GOVERNANCE

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 ("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.

During the Period, the Company has fully complied with the requirements under the CG Code, except for the deviation from Code Provision A.2.1 of the CG Code and Code Provision A.4.2 of the CG Code. The Company had been deviated from the Code Provision A.2.1 of 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 of the Company 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 year 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 benefit the Group if Mr. Wong is also in charge of overseeing the Company's operations as its 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. The Board will regularly review the effectiveness of this arrangement.

In addition, under Code Provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Mr. Yu Kam Kee, Lawrence, BBS, MBE, JP was appointed as an independent non-executive Director with effect from 30 September 2008. The first general meeting after Mr. Yu's appointment was an extraordinary general meeting of the Company held on 19 January 2009. According to the above Code Provision A.4.2, Mr. Yu should have been subject to election by shareholders of the Company at the said extraordinary general meeting. However, due to inadvertent oversight, Mr. Yu was re-elected at the annual general meeting of the Company held on 30 June 2009, being the third general meeting of the Company after his appointment.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

During the Period up to the conclusion of the annual general meeting of the Company held on 30 June 2009, the Company has complied with the provisions of Rule 3.10(1) and 3.10(2) of the Listing Rules that sufficient number of independent non-executive Directors have been appointed and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. However, with effect from the conclusion of the annual general meeting of the Company held on 30 June 2009, Mr. Chow Chi Tong ("Mr. Chow") retired as independent non-executive Director. Mr. Chow also retired as member and chairman of the audit committee ("Audit Committee") of the Company with effect from the same date. Following the retirement of Mr. Chow, the Company only has two independent non-executive Directors, namely Mr. Wang Wei-Lin and Mr. Yu Kam Kee, Lawrence, BBS, MBE, JP, and does not meet the requirements under Rule 3.10(1) and Rule 3.10(2) of the Listing Rules. The Company is in the course of identifying a suitable candidate as a new independent non-executive Director, who has appropriate professional qualifications or accounting or related financial management expertise, as soon as possible and in any event within the time period set forth in Rule 3.11 of the Listing Rules.

Furthermore, in compliance with Rule 3.21 of the Listing Rules, the Audit Committee was established by the Company on 5 July 2005 and, in light of the amendments to the Listing Rules (in particular Appendix 14 thereto) will effect from 1 January 2009, on 24 April 2009, the Audit Committee adopted new written terms of reference with retrospective effect from 1 January 2009. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

With effect from the conclusion of the annual general meeting of the Company held on 30 June 2009 following the retirement of Mr. Chow, the Audit Committee only has two members, namely Mr. Chou Tsan Hsiung, a non-executive Director and Mr. Yu Kam Kee, Lawrence, BBS, MBE, JP, an Independent non-executive Director, and does not meet the requirements under Rule 3.21 of the Listing Rules. Company is in the course of identifying a suitable candidate as an independent non-executive Director to meet the minimum number of members in the Audit Committee as soon as possible and in any event within the time period set forth in Rule 3.23 of the Listing Rules.At present, given the only Audit Committee member who is also an independent non-executive Director does not have the requisite qualifications under Rule 3.10(2) of the Listing Rules, the Audit Committee does not have a chairman for the time being as required under Rule 3.21 of the Listing Rules. As set out above, the Company is in the course of identifying a suitable candidate as an additional independent non-executive Director to fill in the vacancy at and to chair the Audit Committee.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed, with the management, the accounting principles and policies, audit, internal controls and financial reporting adopted by the Group, and the unaudited interim financial report for the Period and recommended its adoption by the Board. In addition, the Company's auditor, Deloitte Touche Tohmatsu has reviewed the unaudited interim financial results for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim financial information for the Period were approved by the Board on 25 September 2009.

For and on behalf of the Board
Wong Chau Chi
Chairman
Hong Kong, 25 September 2009

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF GLOBAL FLEX HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We were engaged to review the interim financial information set out on pages 20 to 39, which comprises the condensed consolidated statement of financial position of Global Flex Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except for the limitation in the scope of our work as explained below, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

BASIS FOR DISCLAIMER OF CONCLUSION

(a) Impairment of property, plant and equipment

Included in the condensed consolidated statements of financial position as at 30 June 2009 and 31 December 2008 was property, plant and equipment with carrying amounts of US$90,893,983 and US$98,919,683 respectively. As set out in the condensed consolidated statements of comprehensive income, the Group incurred a loss of US$17,385,316 for the six months ended 30 June 2009. In addition, the production activities of certain of the Group's facilities were suspended during the period. Furthermore, the Group entered into a conditional sale and purchase agreement on 30 July 2009 to dispose of the entire equity interest in Global Flex (Suzhou) Plant II Co., Ltd, a subsidiary of the Company, and certain plant and equipment of Global Flex (Suzhou) Company Limited ("Global Flex (Suzhou)"), a subsidiary of the Company, used for the production of flexible printed circuit board and flexible printed circuit board assembly businesses (the "Transaction") at a significant loss subsequent to 30 June 2009. These factors, in our opinion, constituted indicators of impairment of the property, plant and equipment. However, no impairment loss was recognised for the six months ended 30 June 2009. We were unable to perform satisfactory procedures to satisfy ourselves that the recoverable amounts of the property, plant and equipment exceeded its carrying amounts as at 30 June 2009 or 31 December 2008 and whether (i) the potential loss arising from the Transaction should be recognised during the six months ended 30 June 2009 or the year ended 31 December 2008; and (ii) any additional impairment loss should be recognised in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" issued by the HKICPA. Any adjustments found to be necessary would affect the Group's net assets as at 30 June 2009 and 31 December 2008 and the Group's loss for the six months ended 30 June 2009.

(b) Fair value and carrying amounts on convertible loan notes

Included in the condensed consolidated statements of financial position as at 30 June 2009 and 31 December 2008 were the liability component of convertible loan notes with carrying amounts of US$1,879,900 and US$2,736,489, respectively, and conversion option derivative with carrying amounts of US$36,020 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 carrying amounts of the conversion option derivative as at 31 December 2008, 10 June 2009 (date of conversion of certain convertible loan notes) and 30 June 2009 were also 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 on initial recognition and the valuation of the conversion option derivative as at 31 December 2008, 10 June 2009 and 30 June 2009 were appropriate. There were no other alternative 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, 10 June 2009 and 30 June 2009 in accordance with the requirements of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA. Any adjustments found to be necessary may have an effect on the Group's net assets as at 30 June 2009 and 31 December 2008 and the Group's loss for the six months ended 30 June 2009.

(c) Going concern

As disclosed in note 1 to the interim financial information, the Group's current liabilities exceeded its current assets as at 30 June 2009 by US$80,535,976. The directors of the Company have been taking steps to improve the liquidity of the Group, including (i) entering into the Transaction; (ii) submitting a final restructuring plan (the "Restructuring Plan") to the court of the People's Republic of China for a debt restructuring on 18 August 2009 for Global Flex (Suzhou); (iii) reducing manpower and production costs and discontinuing some non-core and unprofitable businesses and (iv) negotiating with the Group's suppliers to reschedule the payments of the Group's expenditures.

The Transaction will be subject to the approval of the shareholders of the Company in a meeting of shareholders on 25 September 2009.

Under the Restructuring Plan, Global Flex (Suzhou) will (i) repay a significant portion of debts to creditors; (ii) seek waiver on a significant portion of the remaining debts with unsecured creditors; (iii) defer repayment of all remaining debt to one to three years after the date of approval of the Restructuring Plan by the creditors; and (iv) resume normal business operations as a rigid printed circuit board producer in cooperation with the Company's potential investment partner. The Restructuring Plan was approved by the creditors in a creditors' meeting on 8 September 2009.

The validity of the going concern assumption on which the interim financial information for the six months ended 30 June 2009 was prepared is dependent on the approval and completion of the Transaction, and successful implementation of the Restructuring Plan as described above. The interim financial information for the six months ended 30 June 2009 has been prepared by the directors of the Company on the assumption that the Transaction will be successfully approved and completed and the Restructuring Plan will be successfully implemented and consequently that the Group will continue as a going concern and therefore does 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 the interim financial information for the six months ended 30 June 2009 to reflect the situation that assets may need to be realised other than at the amounts at which they has been recorded in the condensed consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise. These matters therefore indicate the existence of material uncertainties which cast significant doubt about the Group's ability to continue as a going concern as at 30 June 2009.

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the basis for disclaimer of conclusion paragraphs, we do not express any conclusion as to whether the interim financial information for the six months ended 30 June 2009 is prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 September 2009

	NOTES	Six months ended 30 June 2009 US$ (unaudited)	2008 US$ (unaudited)
Revenue	3	**3,402,888**	69,040,901
Cost of sales		**(15,531,185)**	(88,270,819)
Gross loss		**(12,128,297)**	(19,229,918)
Other income		**968,371**	1,845,304
Distribution and selling expenses		**(308,649)**	(2,715,249)
Administrative expenses		**(3,330,762)**	(3,660,915)
Impairment loss on trade and other receivables		**(890,308)**	(7,181,542)
Impairment loss on property, plant and equipment		**—**	(1,838,871)
Loss on disposal on property, plant and equipment		**(683,189)**	(33,793)
Finance costs		**(1,012,482)**	(2,560,988)
Loss before taxation		**(17,385,316)**	(35,375,972)
Income tax credit	4	**—**	351,118
Loss for the period	5	**(17,385,316)**	(35,024,854)
Other comprehensive income			
Exchange differences arising on translation		**23,134**	5,413,496
Total comprehensive income and expense for the period		**(17,362,182)**	(29,611,358)
		US cents	US cents
Loss per share	7		
- Basic		**(1.07)**	(2.68)
- Diluted		**(1.07)**	(2.68)

	NOTES	30 June 2009 US$ (unaudited)	31 December 2008 US$ (audited)
Non-current assets			
Property, plant and equipment	8	**90,893,983**	98,919,683
Prepaid lease payments - non-current portion		**2,322,854**	2,561,246
Deposits paid for acquisition of property, plant and equipment		**—**	76,525
Available-for-sale investment		**26,661**	26,653
		93,243,498	101,584,107
Current assets			
Inventories		**279,841**	6,554,916
Trade and other receivables	9	**6,218,085**	14,773,501
Prepaid lease payments - current portion		**478,359**	478,213
Bank balances and cash		**2,760,577**	5,627,793
		9,736,862	27,434,423
Current liabilities			
Trade and other payables	10	**48,209,996**	54,781,326
Amount due to a related company		**—**	1,524,012
Amount due to a director		**200,655**	804,665
Tax liabilities		**177,971**	177,932
Convertible loan notes		**1,915,920**	2,790,518
Bank borrowings	11	**39,768,296**	39,854,148
		90,272,838	99,932,601
Net current liabilities		**(80,535,976)**	(72,498,178)
		12,707,522	29,085,929
Capital and reserves			
Share capital	12	**2,360,935**	20,516,129
Share premium and reserves		**10,346,587**	8,569,800
		12,707,522	29,085,929

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital US$	Share premium US$	Merger reserve US$ (note i)	Statutory reserve US$ (note ii)	Distributable reserve US$ (note 12)	Capital reserve US$ (note 13)	Share options reserve US$ (note 14)	Exchange reserve US$	Accumulated profits (losses) US$	Total US$
As at 1 January 2008 (audited)	16,129,032	15,631,536	31,987,096	6,391,242	–	1,083,871	1,175,966	12,469,464	7,091,050	91,959,257
Exchange differences arising on translation	–	–	–	–	–	–	–	5,413,496	–	5,413,496
Loss for the period	–	–	–	–	–	–	–	–	(35,024,854)	(35,024,854)
Total comprehensive income and expense for the period	–	–	–	–	–	–	–	5,413,496	(35,024,854)	(29,611,358)
Recognition of equity-settled share-based payments	–	–	–	–	–	556,026	92,226	–	–	648,252
Issue of shares	3,225,807	1,483,872	–	–	–	–	–	–	–	4,709,679
Transaction cost related to issue of shares	–	(16,624)	–	–	–	–	–	–	–	(16,624)
As at 30 June 2008 (unaudited)	19,354,839	17,098,784	31,987,096	6,391,242	–	1,639,897	1,268,192	17,882,960	(27,933,804)	67,689,206
Exchange differences arising on translation	–	–	–	–	–	–	–	58,016	–	58,016
Loss for the period	–	–	–	–	–	–	–	–	(40,068,973)	(40,068,973)
Total comprehensive income and expense for the period	–	–	–	–	–	–	–	58,016	(40,068,973)	(40,010,957)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	29,971	–	–	29,971
Forfeiture of share options	–	–	–	–	–	–	(52,734)	–	52,734	–
Issue of shares	1,161,290	232,257	–	–	–	–	–	–	–	1,393,547
Transaction cost attributable to issue of shares	–	(15,838)	–	–	–	–	–	–	–	(15,838)
As at 31 December 2008 (audited)	20,516,129	17,315,203	31,987,096	6,391,242	–	1,639,897	1,245,429	17,940,976	(67,950,043)	29,085,929
Exchange differences arising on translation	–	–	–	–	–	–	–	23,134	–	23,134
Loss for the period	–	–	–	–	–	–	–	–	(17,385,316)	(17,385,316)
Total comprehensive income and expense for the period	–	–	–	–	–	–	–	23,134	(17,385,316)	(17,362,182)
Capital reorganisation (note 12)	(18,464,516)	–	–	–	18,464,516	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	25,824	–	–	25,824
Forfeiture of shares options	–	–	–	–	–	–	(395,958)	–	395,958	–
Issue of shares upon conversion of convertible loan notes	309,322	648,629	–	–	–	–	–	–	–	957,951
As at 30 June 2009 (unaudited)	**2,360,935**	**17,963,832**	**31,987,096**	**6,391,242**	**18,464,516**	**1,639,897**	**875,295**	**17,964,110**	**(84,939,401)**	**12,707,522**

Notes:

(i) 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.

(ii) Pursuant to the relevant regulations applicable to foreign investment enterprises established in the People's Republic of China (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.

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	US$	US$
	(unaudited)	(unaudited)
Net cash (used in) from operating activities		
Decrease in inventories	**3,556,557**	16,210,334
Decrease in trade and other receivables	**7,669,433**	22,798,647
Decrease in trade and other payables	**(5,408,965)**	(18,671,271)
Other operating cash flows	**(6,966,799)**	(9,727,117)
	(1,149,774)	10,610,593
Net cash used in investing activities		
Purchase of property, plant and equipment	**(87,572)**	(5,070,925)
Other investing cash flows	**484**	3,532,398
	(87,088)	(1,538,527)
Net cash used in financing activities		
Repayment of bank borrowings	**(3,288,731)**	(60,259,609)
New bank borrowings raised	**3,190,633**	39,634,133
Proceeds from issue of shares	**—**	4,709,679
Other financing cash flows	**(1,533,139)**	(2,560,988)
	(1,631,237)	(18,476,785)
Net decrease in cash and cash equivalents	**(2,868,099)**	(9,404,719)
Cash and cash equivalents at beginning of the period	**5,627,793**	10,856,313
Effect of foreign exchange rate changes	**883**	906,200
Cash and cash equivalents at end of the period, represented by bank balances and cash	**2,760,577**	2,357,794

1. BASIS OF PREPARATION

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In preparing the interim financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of a loss of US$17,385,316 for the six months ended 30 June 2009 and the Group's current liabilities exceeded its current assets as at 30 June 2009 by US$80,535,976. The directors of the Company have been taking steps to improve the liquidity of the Group including (i) entering into a conditional sale and purchase agreement to dispose of the entire equity interest in Global Flex (Suzhou) Plant II Co., Ltd. ("Global Flex (Suzhou) Plant II"), a subsidiary of the Company, and certain plant and equipment of Global Flex (Suzhou) Company Limited ("Global Flex (Suzhou)"), a subsidiary of the Company, used for the production of flexible printed circuit board and flexible printed circuit board assembly businesses (the "Transaction"); (ii) submitting a final restructuring plan (the "Restructuring Plan") to the court of the People's Republic of China (the "PRC") for a debt restructuring for Global Flex (Suzhou); (iii) reducing manpower and production costs and discontinuing some non-core and unprofitable businesses and (iv) negotiating with the Group's suppliers to reschedule the payments of the Group's expenditures.

The Transaction will be subject to the approval of the shareholders of the Company in a meeting of shareholders on 25 September 2009.

Under the Restructuring Plan, Global Flex (Suzhou) will (i) repay a significant portion of debts to creditors; (ii) seek waiver on a significant portion of the remaining debts with unsecured creditors; (iii) defer repayment of all remaining debt one to three years after the date of approval of the Restructuring Plan by the creditors; and (iv) resume normal business operations as a rigid printed circuit board producer in cooperation with the Company's potential investment partner.

The Restructuring Plan was approved by the creditors in a creditors' meeting on 8 September 2009. If the Restructuring Plan is successfully implemented, Global Flex (Suzhou) will be emerged out of the restructuring as a normal operating entity with much stronger financial position and healthier operation. It will also give ample room and resources for the Group to develop new business.

Provided that the Transaction will be approved and completed and the Restructuring Plan will be successfully implemented, 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 interim financial information has been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial information has been prepared on the historical cost basis except for the conversion option derivative of conversion loan notes, which are measured at fair value.

The accounting policies used in the interim financial information is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretation ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRS issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "*Segment Reporting*", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

In the previous year, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. During the period ended 30 June 2009, the Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the revised accounting policy has been applied prospectively since 1 January 2009, the change has had no impact on amounts reported in prior accounting periods. During the current period, no borrowings costs were capitalised.

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 18	Transfers of Assets from Customers[3]

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
[3] Effective for transfers on or after 1 July 2009.
[4] Effective for annual periods beginning on or after 1 January 2010

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1 January 2009 and the segment information for the six months ended 30 June 2008 has been restated. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, "*Segment Reporting*") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group has four reportable segments based on its major products: (i) flexible printed circuit boards; (ii) rigid printed circuit boards; (iii) flexible printed circuit boards assembly; and (iv) rigid printed circuit boards assembly. Each reportable segment derives its revenue from the sale of the products. They are managed separately because each product requires different technology and marketing strategies.

3. SEGMENT INFORMATION *(Continued)*

Any analysis of the Group's reportable segment information by operating segment is as follows:

Six months ended 30 June 2009 (unaudited)

	Flexible printed circuit boards US$	Rigid printed circuit boards US$	Flexible printed circuit boards assembly US$	Rigid printed circuit boards assembly US$	Consolidated US$
Revenue from external customers	**621,660**	**62,358**	**2,655,148**	**63,722**	**3,402,888**
Cost of sales	**(4,323,657)**	**(4,600,341)**	**(3,643,178)**	**(245,491)**	**(12,812,667)**
Distribution and selling expenses	**(117,673)**	**(98,120)**	**(68,373)**	**(24,483)**	**(308,649)**
Reportable segment loss before taxation	**(3,819,670)**	**(4,636,103)**	**(1,056,403)**	**(206,252)**	**(9,718,428)**

Six months ended 30 June 2008 (unaudited)

	Flexible printed circuit boards US$	Rigid printed circuit boards US$	Flexible printed circuit boards assembly US$	Rigid printed circuit boards assembly US$	Consolidated US$
Revenue from external customers	8,756,504	14,774,879	35,248,996	10,260,522	69,040,901
Cost of sales	(10,246,694)	(16,425,201)	(30,685,744)	(23,758,050)	(81,115,689)
Distribution and selling expenses	(344,378)	(581,068)	(1,386,275)	(403,528)	(2,715,249)
Reportable segment (loss) profit before taxation	(1,834,568)	(2,231,390)	3,176,977	(13,901,056)	(14,790,037)

(a) Performance is measured based on segment profit (loss) before taxation. Income tax expense is not allocated to reportable segments

(b) Reconciliation of reportable segment profit (loss) before taxation

Segment profit (loss) represents gross profit plus distribution and selling expenses excluding the write-down of inventories. This is the measure reported to the executive directors for the purpose of resource allocation and assessment of segment performance.

3. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment profit (loss) before taxation *(Continued)*

Reportable segment loss before taxation is reconciled to loss before taxation of the Group as follows:

	Six months ended 30 June	
	2009	2008
	US$	US$
	(unaudited)	(unaudited)
Reportable segment loss before taxation	**(9,718,428)**	(14,790,037)
Unallocated income:		
Interest income	**484**	103,734
Other income	**967,887**	1,741,570
Unallocated expenses:		
Interest expenses	**(1,012,482)**	(2,560,988)
Write-down of inventories	**(2,718,518)**	(7,155,130)
Impairment loss on trade and other receivables	**(890,308)**	(7,181,542)
Impairment loss on property, plant and equipment	**—**	(1,838,871)
Loss on disposal of property, plant and equipment	**(683,189)**	(33,793)
Other expenses	**(3,330,762)**	(3,660,915)
Loss before taxation	**(17,385,316)**	(35,375,972)

The followings is an analysis of the Group's assets by operating segment:

	As at 30 June 2009	As at 31 December 2008
	US$	US$
	(unaudited)	(audited)
Flexible printed circuit boards	**21,283,052**	19,767,031
Rigid printed circuit boards	**37,558,304**	32,861,790
Flexible printed circuit boards assembly	**37,185,238**	65,921,953
Rigid printed circuit boards assembly	**4,014,703**	4,660,633
Total segment assets	**100,041,297**	123,211,407

4. INCOME TAX CREDIT

	Six months ended 30 June	
	2009	2008
	US$	US$
	(unaudited)	(unaudited)
The PRC		
PRC Foreign Enterprise Income Tax ("FEIT")		
- Overprovision in prior year	**—**	(351,118)
	—	(351,118)

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

Pursuant to the relevant laws and regulations in the PRC, Global Flex (Suzhou), Forever Jade Electronics (Suzhou) Company Limited ("Forever Jade (Suzhou)") and Global Flex (Suzhou) Plant II, all are PRC subsidiaries of the Company, are entitled to the exemptions from the 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.

The Law of the PRC on Enterprise Income Tax imposes withholding tax upon 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 period.

5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2009	2008
	US$	US$
	(unaudited)	(unaudited)
Write down of inventories	**2,718,518**	7,155,130
Depreciation of property, plant and equipment	**5,069,521**	5,958,542
Interest on bank and other borrowings wholly repayable within five years	**929,129**	2,560,988
Effective interest expense on convertible loan notes	**83,349**	—
Redundancy costs	**228,099**	—
Release of prepaid lease payments	**239,159**	239,090
Bank interest income	**(484)**	(103,734)

6. DIVIDENDS

No dividends were paid, declared or proposed during both periods. The directors do not recommend the payment of an interim dividend.

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic and diluted loss per share for the periods attributable to the owners of the Company of the is based on the following data:

	Six months ended 30 June	
	2009	2008
	US$	US$
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	**(17,385,316)**	(35,024,854)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,617,813,398**	1,306,318,681

7. BASIC AND DILUTED LOSS PER SHARE *(Continued)*

No adjustment for share options and convertible loan notes was made in calculating diluted loss per share for the six months ended 30 June 2009 as the exercise price of the Company's outstanding share options was higher than the average market price for the period and conversion of convertible loan notes would result in decrease in loss per share.

No adjustment for share options was made in calculating diluted loss per share for the six months ended 30 June 2008 as the exercise price of the Company's outstanding share options was higher than the average market price for the period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with a carrying amount of US$3,150,851 (2008: US$302,858) for offsetting with other payable of US$2,467,662 (2008: for proceeds of US$269,065), resulting in a loss on disposal of US$683,189 (2008: US$33,793).

In addition, the Group spent approximately US$164,000 as additions to manufacturing plant in the PRC, in order to expand its manufacturing capabilities during the period.

During the six months ended 30 June 2008, 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$1,838,871 had been recognised in respect of machinery and equipment.

9. TRADE AND OTHER RECEIVABLES

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

The analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts as at the end of the reporting date are as follows:

	As at 30 June 2009 US$ (unaudited)	As at 31 December 2008 US$ (audited)
Trade receivables:		
0 - 30 days	**40,989**	2,538,902
31 - 60 days	**36,332**	3,631,788
61 - 90 days	**147,076**	3,164,949
91 - 120 days	**738,628**	354,604
121 - 150 days	**48,234**	196
Over 150 days	**185,989**	34,093
	1,197,248	9,724,532
Other receivables	**5,020,837**	5,048,969
	6,218,085	14,773,501

10. TRADE AND OTHER PAYABLES

The aged analysis of trade payables as at the end of the reporting date are as follows:

	As at 30 June 2009 US$ (unaudited)	As at 31 December 2008 US$ (audited)
Trade payables:		
0 - 90 days	**415,208**	5,085,382
91 - 120 days	**182,676**	3,228,152
121 - 180 days	**1,941,656**	6,140,602
181 - 365 days	**12,211,777**	10,213,272
Over 365 days	**14,460,769**	10,828,900
	29,212,086	35,496,308
Other payables	**18,997,910**	19,285,018
	48,209,996	54,781,326

11. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately US$3,191,000 (2008: US$39,634,000) as additional working capital and made repayment of approximately US$3,289,000 (2008: US$60,260,000). The loans carry interest at rates ranging from 5.83% to 9.01% (2008: 3.28% to 9.36%) per annum, and are repayable in instalments over the borrowings period.

Bank borrowings with carrying amounts of US$5,498,263 (2008: US$1,630,000) as at 30 June 2009 were default. The repayment the bank borrowings would be scheduled in accordance with the terms as stated in the Restructuring Plan which was approved by the creditors on the creditor's meeting on 8 September 2009.

12. SHARE CAPITAL

	Number of shares	Nominal value HK$
Authorised:		
Ordinary shares of HK$0.1 each as at 1 January 2008, 30 June 2008 and 31 December 2008	5,000,000,000	500,000,000
Adjustment to nominal value (Note i)	—	(450,000,000)
	5,000,000,000	50,000,000
Subdivision (Note i)	45,000,000,000	450,000,000
Ordinary shares of HK$0.01 each as at 30 June 2009	50,000,000,000	500,000,000

	Number of shares	Nominal value HK$	Presented as US$
Issued and fully paid:			
Ordinary shares of HK$0.1 each as at 1 January 2008	1,250,000,000	125,000,000	16,129,032
Issue of shares	250,000,000	25,000,000	3,225,807
Ordinary shares of HK$0.1 each as at 30 June 2008	1,500,000,000	150,000,000	19,354,839
Issue of shares	90,000,000	9,000,000	1,161,290
Ordinary shares of HK$0.1 each as at 31 December 2008	1,590,000,000	159,000,000	20,516,129
Adjustment to nominal value (Note i)	—	(143,100,000)	(18,464,516)
Ordinary shares of HK$0.01 each	1,590,000,000	15,900,000	2,051,613
Conversion of convertible notes (Note ii)	239,725,000	2,397,250	309,322
At 30 June 2009	1,829,725,000	18,297,250	2,360,935

12. SHARE CAPITAL *(Continued)*

Notes:

(i) On 19 January 2009, an extraordinary general meeting of the Company was held and the resolutions of the reorganisation of the share capital of the Company involving reduction of the authorised share capital and issued share capital by reducing the nominal value of each share in issued from HK$0.10 to HK$0.01 and cancelling paid-up capital to the extent of HK$0.09 for each issued share and the sub-division of each authorised and unissued shares of HK$0.10 each into 10 unissued shares of HK$0.01 each (the "Capital Reorganisation") were approved. The capital reduction amount as a result of the Capital Reorganisation will be transferred to a distributable reserve account of the Company.

The Capital Reorganisation become effective after the approval from the Grand Court of the Cayman Islands on 29 April 2009.

(ii) During the six months ended 30 June 2009, convertible loan notes with principal amounts of HK$6,999,970, (equivalent to US$903,226) were converted into 239,725,000 ordinary shares of HK$0.01 each in the share capital of the Company at the conversion price of HK$0.0292 per share.

13. CAPITAL RESERVE

During the six months ended 30 June 2008, a controlling shareholder of the Company bestowed 26,600,000 ordinary shares in the Company to several employees of the Company. 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.

14. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at as 1 January 2009	85,000,000
Forfeited during the period	(15,833,333)
Outstanding at as 30 June 2009	69,166,667

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group has recognised total expenses in profit or loss of approximately US$26,000 (2008: US$92,000) related to the share options granted for the period.

15. MATERIAL LITIGATION

As at 30 June 2009, subsidiaries of the Company have 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$17,146,000 (2008: US$26,960,000). The claimed amounts were fully provided in the interim financial information.

16. CAPITAL COMMITMENTS

	As at 30 June 2009 US$ (unaudited)	As at 31 December 2008 US$ (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the interim financial information	**4,508**	472,720

17. RELATED PARTY TRANSACTIONS

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

Name of related parties	**Nature of transactions**	**Six months ended 30 June 2009 US$ (unaudited)**	2008 US$ (unaudited)
Mr. Hsu Chung, a director	Rental paid	**—**	11,109
Chi Capital Partners Limited	Rental paid	**29,419**	29,419
	Consultancy fee paid	**30,968**	30,968

In addition to above, for the six months ended 30 June 2009, a property held by Mr. Wong Chau Chi, a director of the Company, was occupied by a subsidiary for nil consideration (2008: nil).

17. RELATED PARTY TRANSACTIONS *(Continued)*

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

Compensation of key management personnel

The remuneration of directors and key executives of the Group, as determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to US$731,788 (2008: US$502,836).

18. POST BALANCE SHEET EVENT

(a) On 30 July 2009, the Group entered into a conditional sale and purchase agreement to dispose of the entire equity interest in Global Flex (Suzhou) Plant II and certain property, plant and equipment of Global Flex (Suzhou) at an aggregate consideration of RMB199.5 million (equivalent to US$29.2 million). After the completion of Transaction, the Group will discontinue the production of flexible printed circuit boards and flexible printed circuit boards assembly. The Transaction has not yet been completed up to the date of this report. Details are set out in the Company's circular dated 8 September 2009.

(b) The Restructuring Plan was approved by the creditors in a creditors' meeting on 8 September 2009.