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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

The board (the "Board") of directors (the "Directors") of Global Flex Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	**2008** *US$*	2007 *US$*
Revenue	4	**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	5	**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	6	**(4,723,540)**	(7,582,069)
Loss before taxation		**(75,527,434)**	(29,192,608)
Income tax credit (expense)	7	**433,607**	(585,453)
Loss for the year	8	**(75,093,827)**	(29,778,061)
Dividends	9	**—**	4,612,903
Loss per share	10		
- 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		**98,919,683**	93,147,521
Prepaid lease payments - non-current portion		**2,561,246**	3,403,783
Deposits paid for acquisition of property, plant and equipment		**76,525**	2,709,421
Available-for-sale investment		**26,653**	22,008
		101,584,107	99,282,733
CURRENT ASSETS			
Inventories		**6,554,916**	39,969,755
Trade and other receivables	11	**14,773,501**	86,316,301
Prepaid lease payments - current portion		**478,213**	459,233
Pledged bank deposits		**—**	8,597,630
Bank balances and cash		**5,627,793**	10,856,313
		27,434,423	146,199,232
CURRENT LIABILITIES			
Trade and other payables	12	**54,781,326**	83,975,312
Amount due to a related company		**1,524,012**	—
Amount due to a director		**804,665**	—
Tax liabilities		**177,932**	450,877
Convertible loan notes		**2,790,518**	—
Bank borrowings - due within one year		**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		**20,516,129**	16,129,032
Share premium and reserves		**8,569,800**	75,830,225
		29,085,929	91,959,257

Notes:

1. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the 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 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 the 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	HKFRS2: 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.

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 Combination[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 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. 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 ("FPC")

— Rigid printed circuit boards ("PCB")

— Flexible printed circuit boards assembly ("FPCA")

— Rigid printed circuit boards assembly ("PCBA")

	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

Geographical segments

The Group's operations are located in the People's Republic of China ("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	2007
	US$	*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.

5. OTHER INCOME

	2008	2007
	US$	*US$*
Compensation from a customer 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

6. FINANCE COSTS

	2008	2007
	US$	*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

7. 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.

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 loses 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.

8. 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)

9. DIVIDENDS

	2008	2007
	US$	*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.

10. LOSS PER SHARE

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

	2008	2007
	US$	*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.

11. 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

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.

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

12. 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 payable at the reporting date are as follows:

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

Summary of the Independent Auditor's Report on the Group's Consolidated Financial Statements

The Group's auditor, Messers Deloitte Touche Tohmatsu, have made qualification on their report on the Group's consolidated financial statements as at 31 December 2008. Details of the qualification as extracted from the independent auditor's report are as follows:

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 recognised 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 recognised 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.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

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 of 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 PBC 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 of 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 Group's customers 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 decreased 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 their 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 repayment 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

Most of the Group's assets, liabilities and transactions are denominated in US dollar and RMB. The management believes that foreign exchange risk does not affect the Group since RMB has generally appreciated comparing with US dollar and its 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 4 to the annual results announcement.

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.

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 comprise the products of FPC and FPCA, while PCB solutions comprise the products of PCB and 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.

PROSPECTS AND FUTURE PLANS

Printed circuit board industry in the PRC develops in a fast pace. Some data show that the PRC will face serious 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 of 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 multi-layer 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 operation of the Group in order to reduce the cost of excess production capacity.

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 (which to the 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.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issues ("Model Code") as set out in Appendix 10 to the Listing Rules on 5 July 2005. 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. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the year ended 31 December 2008 and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the code of conduct throughout the year ended 31 December 2008.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

During the year under review, the Company has complied with the requirements of the Code Provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules 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 from 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 to 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Director, namely Messrs. Wang Wei-Lin, Chow Chi Tong and Yu Kam Kee, Lawrence, BBE, MBE, JP, an annual confirmation of their independence pursuant to the Rule 3.13 of the Listing Rules. Based on such confirmations, the Board considers all of the independent non-executive Directors are independent.

AUDIT COMMITTEE

An Audit Committee was established by the Company on 5 July 2005 with written terms of reference to review and supervise the Group's financial reporting process and internal controls. 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 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. The Audit Committee currently comprises Mr. Chow Chi Tong and Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP, being independent non-executive Directors and Mr. Chou Tsan Hsiung, a non-executive Director. Currently, Mr. Chow Chi Tong is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company on 5 July 2005 and re-constituted pursuant to a written resolution passed by the Board on 23 September 2005 to formulate and make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management of the Group.

The Remuneration Committee currently comprises the three independent non-executive Directors, namely Mr. Wang Wei-Lin, Mr. Chow Chi Tong and Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP and one non-executive Director, Mr. Chou Tsan Hsiung. Currently, Mr. Wang Wei-Lin is the chairman of the Remuneration Committee.

By Order of the Board
Global Flex Holdings Limited
Wong Chau Chi
Chairman

Hong Kong, 24 April 2009

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wong Chau Chi, Mr. Lin Cheng Hung, Mr. Hsu Chung and Mr. Huang Lien Tsung; four non-executive Directors, namely Mr. Chou Tsan Hsiung, Mr. Nguyen Duc Van, Mr. Yang Yi and Dr. Li Jun, and three independent non-executive Directors, namely Mr. Wang Wei-Lin, Mr. Chow Chi Tong and Mr. Yu Kam Kee, Lawrence, BBE, MBE, JP.