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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)**

### **Additional information for further change of use of proceeds**

Reference is made to the Company's announcement dated 15 September 2006. This announcement is made to elaborate on the factors taken into account by the Directors in considering the further change in use of proceeds from the new issue in connection with the listing of the Company, and the view of the independent non-executive Directors on such change.

Reference is made to the announcement of Global Flex Holdings Limited (the "**Company**") dated 15 September 2006 ("**September Announcement**") in relation to the further change of use of proceeds. The Company would like to make further elaboration on the factors which were taken into account by the board of directors ("**Directors**") of the Company in considering the further changes in the use of proceeds from the new issue in connection with the listing of the Company. Terms defined in the September Announcement shall, unless the context requires otherwise, bear the same meanings used herein.

Since the first quarter of 2005 and before the Listing, the executive Directors have made site visits to several locations in the Northern part of the PRC including Dalian and Yantai. They reviewed and gathered background information for the development of the new manufacturing plants in the Northern part of the PRC. At that time, the Directors intended to further examine the suitability of developing the manufacturing plant in the Northern China. The location of the new manufacturing plant was not yet fixed. In general, they found that there were few sizable plants for the production of flexible printed circuit boards and rigid printed circuit boards in the Northern China. In addition, the Northern part of the PRC was in proximity to those target customers of the Group in Korea and Japan. Therefore, the Directors considered that it would create competitive advantages for the Group to develop the new manufacturing plant in the Northern China taking into account the close physical proximity and potential lower transportation and labour costs. At that time, the Directors were not aware of the severity of the adverse weather conditions, which might result in occasional halt of transportation for a few days or even weeks, and the delay in electronic industrial supply in the Northern China.

After a period of detailed review and study and having taken account of various factors, particularly the adverse weather condition in the Northern part of the PRC during January and February 2006, being the peak season of the Group's business, the higher than expected transportation and labour costs, the increase of production capacity of the Group's major competitors in Suzhou and other factors including the less favourable electronic industrial

supply chain, logistics and internal operation resource management in the Northern China when compared to Suzhou, the Directors were of the view that the proposal of establishing a manufacturing plant in the Northern China might not be beneficial to the Group and thus decided to further change the proposal of use of proceeds.

As disclosed in the September Announcement, an amount of approximately US\$16.6 million would be re-allocated for the development of the Suzhou plants and applied as to:

- (i) approximately US\$14.6 million for the purchase of machinery and equipment for use at the Suzhou plants for increasing the production capacity of HDI PCB, TFT LCD PCB and rigid-flex products, in order to achieve a higher production capacity for these products; and
- (ii) approximately US\$2.0 million for the purchase of machinery and equipment for the assembly of electronic component modules and supporting finished product at the Suzhou plants, in order to further expand the scale of production and scope of operation of the Group's business.

The Directors considered that the above re-allocation of the use of proceeds from the proposed Northern China plant to the Suzhou plants was in line with the Group's plan to strengthen its product line and to expand its manufacturing facilities as stated in the Prospectus. The only change is the change of location from the Northern China to Suzhou. The Directors considered that the cessation of the proposal for the establishment of a manufacturing plant in the Northern China would not have any significant adverse effect to the Group's ability to secure and/or serve its customers in Korea and Japan. The Directors therefore concluded that the change would not significantly affect the Group's future plans and prospects as stated in the Prospectus.

The Directors have continued to review and study the factors of supply chain, logistics and internal operation resource management for almost one year after the Listing to assess the investment plan for the development of a new manufacturing plant in the Northern China. In addition, the Group also appointed a certified public accountant in Suzhou to prepare an assessment report to assist the Company to assess the different investment environmental factors in Suzhou and Dalian in making the decision of further change of use of proceeds. Hence, the Directors considered that such change of use of proceeds was decided after careful review and consideration but not a sudden diversion from the Prospectus.

In addition, the independent non-executive Directors unanimously agreed with the proposed change in use of proceeds, and considered that the Company's objectives remain unchanged from the listing. The change was only in relation to the location of the new plant. They also considered that such change would not bring any significant adverse effect to the Company and was in the interest of the Company and its shareholders.

As at the date of this announcement, the board of Directors comprises three executive Directors (namely, Mr. Lin Cheng Hung, Mr. Hsu Chung and Mr. Huang Lien Tsung), three non-executive Directors (namely Mr. Lee Cheng Few, Mr. Chou Tsan Hsiung and Mr. Nguyen Duc Van), and three independent non-executive Directors (namely, Mr. Wang Wei-Lin, Mr. Chow Chi Tong and Professor Liao Kuang Sheng).

By order of the Board  
Global Flex Holdings Limited  
**Lin Cheng Hung**  
*Chairman*

Hong Kong, 16 October 2006