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

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

**CONNECTED TRANSACTION**  
**ACQUISITION OF EQUIPMENT**

**Financial adviser to Global Flex Holdings Limited**



**VXL FINANCIAL SERVICES LIMITED**  
**卓越企業融資有限公司**

On 29 September 2006, Global Technology, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Vertex for the Acquisition.

As Vertex is the controlling Shareholder which is interested in approximately 51.57% of the issued share capital of the Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Each of the applicable percentage ratios as stipulated under Rule 14.07 of the Listing Rules for the Acquisition is less than 2.5%, and the Acquisition is therefore only subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

**INTRODUCTION**

On 29 September 2006, Global Technology, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement whereby Global Technology agreed to acquire and Vertex agreed to sell the Equipment for a consideration of US\$1,801,262 (equivalent to approximately HK\$14.0 million).

**THE SALE AND PURCHASE AGREEMENT DATED 29 SEPTEMBER 2006**

**Parties**

Purchaser: Global Technology, a wholly-owned subsidiary of the Company

Seller: Vertex, the controlling Shareholder, which is interested in approximately 51.57% of the issued share capital of the Company

## **Equipment acquired**

Machinery and equipment for production of 4 to 6 layers PCBs for cars, mobile phones, computer peripheral and telecommunication products with estimated residual useful life ranging from 6 to 15 years. The Equipment was acquired by Vertex during 1997 to 2006 and has been used by Vertex for its production prior to the Acquisition by Global Technology. The original purchase cost of the Equipment by Vertex was amounted to approximately US\$16,053,337 (equivalent to approximately HK\$125.2 million). Global Technology will adopt a 10% straight-line depreciation method to allocate the acquisition cost of the Equipment upon the Acquisition.

## **Consideration and payment terms**

The Consideration for the Acquisition of US\$1,801,262 (equivalent to approximately HK\$14.0 million) payable by Global Technology to Vertex. The Consideration was arrived at after arm's length negotiations between the parties involved with reference to (i) the valuation report on the Equipment dated 28 September 2006 issued by Vigers Appraisal & Consulting Limited, an independent qualified valuer, representing 50% of the market value of the Equipment amounted to NT\$117,082,000 (equivalent to approximately HK\$28.1 million), appraised as at 28 September 2006; (ii) the audited net book value of the Equipment amounted to approximately NT\$71,945,000 (equivalent to approximately HK\$17.3 million) as at 31 December 2005; (iii) the depreciation attributable to the Equipment for the eight months from 1 January 2006 to 31 August 2006; and (iv) the current purchase price of the Equipment. The Consideration shall be financed by internal resources of the Group and be satisfied by Global Technology in cash in the following manner:

- (i) US\$900,631 (equivalent to approximately HK\$7.0 million) within 15 days after signing of the Sale and Purchase Agreement; and
- (ii) the remaining balance of US\$900,631 (equivalent to approximately HK\$7.0 million) within 15 days after the date of satisfactory installation and trial run of the Equipment.

## **Principal terms**

The Sale and Purchase Agreement is not subject to any condition precedent. The principal terms of the Sale and Purchase Agreement are as follows:

1. The Equipment will be sold to Global Technology by Vertex free from any mortgage, pledge, other encumbrances and any third party's rights. Otherwise, Vertex shall be obliged to indemnify all loss and damages arising therefrom;
2. Title and risk of the Equipment will be transferred from Vertex to Global Technology upon the delivery of Equipment by Vertex to Global Technology at the premises where Vertex stores the Equipment in Taiwan;
3. Vertex shall assist Global Technology to deliver the Equipment to a location designated by Global Technology on or before 31 December 2006;

4. Vertex shall provide the consultation services for the operation and maintenance of the Equipment free of charge for a period of 12 months from the satisfactory installation and trial run of the Equipment;
5. Vertex shall provide training up to 40 hours to the staff of Global Technology and ensure the staff of Global Technology can normally operate the Equipment; and
6. Global Technology is responsible for the expenses incurred for dismantle, transportation and installation of the Equipment.

The Directors consider that the terms of the Sale and Purchase Agreement as well as the consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **REASONS FOR THE ACQUISITION**

The Acquisition was effected for the expansion and enhancement of the operations of the Group's major production plant in Suzhou, the PRC. In view of the current average utilisation rate of the existing PCB machinery and equipment of approximately 93% for the Group's Suzhou plant, the Directors consider that it would be beneficial to the Group's business to purchase the Equipment for expansion of production capacity.

The decision on the Acquisition from Vertex was made after taking into account various factors, including (i) the functionality, the conditions and the residual useful life of the Equipment; (ii) the after sale services and training to be provided by Vertex; (iii) the market value of the Equipment appraised as at 28 September 2006; and (iv) the current purchase price for new machineries with similar or comparable functions of the Equipment in the market. The Directors are of the view that the Acquisition from Vertex is beneficial to the Group and the Shareholders as a whole. The Directors confirm that the Equipment acquired from Vertex is fit for the production of the Group's product, in particular, 4 to 6 layers PCBs for cars, mobile phones, computer peripheral and telecommunication products.

The Directors also confirm that the Acquisition will be financed by the Group's internal resources and will not be funded by the net proceeds from the new issue in connection with the Listing. As stated in the Company's announcement dated 15 September 2006, such net proceeds will be used for purchase of machinery and equipment for increasing the production capacity of high density interconnect PCB, thin film transistor liquid crystal display PCB and rigid-flex products, instead of for the production of less advanced 4 to 6 layers PCBs of the Group.

The Directors, including the independent non-executive directors, believe that the terms of Acquisition are fair and reasonable and have been conducted on normal commercial terms. The transaction will strengthen the production capability of the Group so as to enhance its competitiveness in the PRC market and is therefore in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP AND VERTEX**

The Group is principally engaged in the provision of FPC solutions which include the design, manufacture and sale of FPC and sale of assembled FPC, i.e. FPCA. The Group is also engaged in the manufacture and sale of PCB and sale of assembled PCB, i.e. PCBA.

The principal business of the Vertex Group (excluding the Group) is the manufacture and sale of PCB. The Vertex Group also engages in the manufacture and sale of liquid crystal display monitors, car televisions and nanoelectronic products and the operations of car television and nanoelectronic products. As at the date of this announcement, certain Directors (together with their respective spouses) are interested in the issued share capital of Vertex, as to approximately 0.552%, 0.01%, 0.002%, 0.169% and 0.083% by Mr. Lin Cheng Hung, Mr. Huang Lien Tsung, Mr. Hsu Chung, Mr. Lee Cheng Few and Mr. Chou Tsan Hsiung, respectively.

## **CONNECTED TRANSACTION**

As Vertex is the controlling Shareholder which is interested in approximately 51.57% of the issued share capital of the Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Each of the applicable percentage ratios as stipulated under Rule 14.07 of the Listing Rules for the Acquisition is less than 2.5%, and the Acquisition is therefore only subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Equipment
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Global Flex Holdings Limited, a company incorporated in Cayman Islands with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange
“Consideration”	the consideration for the Acquisition of US\$1,801,262 (equivalent to approximately HK\$14.0 million) payable by Global Technology to Vertex pursuant to the Sale and Purchase Agreement
“Directors”	the directors of the Company

“Equipment”	machinery and equipment for production of 4 to 6 layers PCBs for cars, mobile phones, computer peripheral and telecommunication products
“FPC”	acronym for flexible printed circuit board, a patterned arrangement of printed wiring utilising flexible base material with or without flexible cover layers
“FPCA”	acronym for flexible printed circuit board assembly services
“Global Technology”	Global Technology International Limited (環球科技國際有限公司), a company incorporated in the British Virgin Islands on 9 February 1999 and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 10 October 2005
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PCB”	acronym for rigid printed circuit board, a flat plate or base of insulating material containing a pattern of conducting materials, which becomes an electrical circuit when components are attached and soldered to it
“PCBA”	acronym for rigid printed circuit board assembly services
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“Sale and Purchase Agreement”	the unconditional agreement dated 29 September 2006 entered into between Global Technology and Vertex in relation to the Acquisition
“Shares(s)”	ordinary share(s) of HK\$0.10 each in the ordinary share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vertex”	Vertex Precision Electronics Inc., a company incorporated in Taiwan with limited liability on 6 January 1990, the shares of which are traded on Greta Securities Market of the Republic of China (中華民國證券櫃檯買賣中心) and the controlling Shareholder which is interested in approximately 51.57% of the issued share capital of the Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“%”	per cent.

*Unless otherwise specified in this announcement, amounts denominated in US\$ and NT\$ have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of HK\$7.8 = US\$1 and HK\$0.24 = NT\$1. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at any of the above rate and any other rates.*

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

Hong Kong, 11 October 2006

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