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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Global Flex Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any share in Global Flex Holdings Limited.

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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)**

### **CONNECTED TRANSACTION**

#### **(1) ADJUSTMENTS TO CONVERSION PRICE OF CONVERTIBLE NOTES**

#### **(2) ISSUE OF CONVERSION SHARES TO CONNECTED PERSON**

**Independent Financial Adviser**

**To the Independent Board Committee and the Independent Shareholders**

**VEDA | CAPITAL**  
**智略資本**

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A notice convening an extraordinary general meeting of Global Flex Holdings Limited to be held at The Amercian Club, Floor 48, Exchange Square Two, Central, Hong Kong, on Thursday, 9 April 2009 at 3:00 p.m. is set out on pages 41 to 42 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed.

Whether or not you are able to attend the extraordinary general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

25 March 2009

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## DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Board”	the Board of Directors
“Capital Reorganisation”	as defined in the Company’s announcement dated 26 August 2008, under which, amongst other things, par value of each Share will be adjusted from HK\$0.10 to HK\$0.01 by share capital reduction of issued Shares and sub-division of unissued Shares of the Company as further set out in that announcement
“Company”	Global Flex Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Conversion Price”	the conversion price of HK\$0.10 per Share, subject to anti-dilution adjustments and other provisions in the terms of the Convertible Notes
“Conversion Rights”	the rights attached to the Convertible Note to convert the whole or any part(s) of the principal amount into Shares
“Conversion Shares”	the Shares to be issued by the Company as a result of the exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the HK\$21 million convertible notes issued by the Company, carrying rights to convert the principal amounts into Conversion Shares, to Subscribers on 5 December 2008 pursuant to the Convertible Notes Subscription Agreement
“Convertible Notes Subscription Agreement”	the subscription agreement dated 28 November 2008 between the Company and the Subscribers in respect of issuance of the Convertible Notes
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Convertible Notes Subscription Agreement and transactions contemplated under it, including the Market Price Re-set in respect of the Conversion Price, and to grant a specific mandate for the issue and allotment of Conversion Shares under the Convertible Notes Subscription Agreement

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## DEFINITIONS

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“General Mandate (Share Issue)”	general mandate granted at the annual general meeting of the Company held on 30 May 2008 to issue up to 300,000,000 Shares, which has been used as to 90,000,000 Shares prior to the Convertible Notes Subscription Agreement
“Group”	Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising and giving recommendation to the Independent Shareholders regarding the Convertible Notes Subscription Agreement
“Independent Shareholders”	Shareholders, excluding those Subscribers and their respective associates having interests in the Convertible Notes Subscription Agreement or required to abstain from voting at the EGM to approve it pursuant to the Listing Rules and relevant laws and regulations
“Latest Practicable Date”	20 March 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Price Re-set”	the arrangements provided in the conditions of the Convertible Notes to reset and adjust the Conversion Price automatically at three (3) months intervals by reference to the lower of (a) HK\$0.10 and (b) 80% of the value weighted average price per Share for the past 20 trading days ending at the end of such three months intervals in a year during the term of the Convertible Notes
“Model Code”	Model code for Securities Transactions by Directors of Listed Companies
“Noteholders”	holders of any Convertible Note
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares (currently of HK\$0.10 each to be reduced to HK\$0.01 each under the Capital Reorganisation) in the share capital of the Company

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## DEFINITIONS

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“Share Options”	the share options granted by the Company to eligible participants under the share option scheme of the Company adopted on 5 July 2005
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the two (2) fund and corporate investors who entered into the Convertible Notes Subscription Agreement with the Company as disclosed in the announcement dated 28 November 2008, who and their respective beneficial owners are third parties independent from the Company and the connected persons of the Company
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry on type 6 regulated activity (advising on corporate finance) under the SFO, is the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Convertible Notes Subscription Agreement
“%” or “per cent”	percentage or per centum

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Lin Cheng Hung  
Mr. Wong Chau Chi  
Mr. Hsu Chung  
Mr. Huang Lien Tsung

*Non-executive Directors:*

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

*Independent non-Executive Directors:*

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

*Registered office:*

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

*Head office and principal place of  
business in Hong Kong:*

1701-1702, 17/F  
The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

25 March 2009

*To the Shareholders, and for information only,  
the Noteholders*

Dear Sir or Madam,

### CONNECTED TRANSACTION

#### (1) ADJUSTMENTS TO CONVERSION PRICE OF CONVERTIBLE NOTES

#### (2) ISSUE OF CONVERSION SHARES TO CONNECTED PERSON

#### INTRODUCTION

On 28 November 2008, the Company and the Subscribers entered into the Convertible Notes Subscription Agreement under which the Subscribers subscribed a total of HK\$21 million Convertible Notes to be issued by the Company. The Convertible Notes were issued on 5 December 2008 by the Company to the Subscribers pursuant to the terms of the Convertible Notes Subscription Agreement executed on 28 November 2008 between the Company and the Subscribers.

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## LETTER FROM THE BOARD

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The Convertible Notes are interest free and unsecured. Their outstanding principal amounts shall be due for repayment on the second anniversary of the issue date, subject to prior conversion into new Shares at the initial conversion price of HK\$0.10 per Share, subject to adjustment. Full conversion of HK\$21 million principal amount at HK\$0.10 per Share will result, by itself, in a maximum of 210,000,000 Conversion Shares.

The issue and allotment of the 210,000,000 Conversion Shares at the Conversion Price of HK\$0.10 each would be made under the General Mandate (Share Issue) available.

As the terms of the Convertible Notes, subject to approval of the Independent Shareholders, also provide for the Conversion Price to be adjusted by the usual anti-dilution provisions and with reference to the market price of the Shares (further details are set out in the section headed "Adjustments to Conversion Price"), and hence, the total number of Conversion Shares falling to be issued would exceed the General Mandate (Share Issue). Accordingly, the EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the entire Convertible Notes Subscription Agreement and transactions contemplated therein and to grant a specific mandate to the Directors for the issue and allotment of 1,890,000,000 Conversion Shares at the Conversion Price (as adjusted) in addition to the 210,000,000 Shares allowed under the General Mandate (Share Issue). The 1,890,000,000 Conversion Shares represents 118.87% of existing issued share capital and 51.22% of the enlarged issued share capital of the Company, respectively.

The Company will make application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 1,890,000,000 Conversion Shares after it has been approved by the Independent Shareholders.

The two Subscribers to the Convertible Notes are listed in Appendix 1 with neither of them being a connected person when the Convertible Notes Subscription Agreement was entered between the Company and the Subscribers on 28 November 2008. On 31 December 2008, subsequent to the completion of the Convertible Notes Subscription Agreement, Shikumen Special Situations Fund, being one of the Subscribers, became interested in 219,735,000 Shares, representing approximately 13.82% of the issued share capital of the Company and thus became a substantial shareholder and connected person of the Company. The granting of the specific mandate for the issue and allotment of up to 1,890,000,000 Conversion Shares as a result of the adjustment of Conversion Price in addition to the 210,000,000 Shares allowed under the General Mandate constitute a connected transaction to the Company.

According to the announcement on 28 November 2008, if any of the Subscribers become connected person of the Company on or before the date of the EGM, an independent financial adviser will be appointed to make recommendation to the Independent Board Committee of the Company and the Independent Shareholders under Rule 13.96(6) of the Listing Rules for approval of the Convertible Notes Subscription Agreement and transactions contemplated under it including issue and allotment of the Conversion Shares at the Conversion Price subject adjustments and reset accordingly.

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## LETTER FROM THE BOARD

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Pursuant to the Convertible Notes Subscription Agreement, the issue and allotment of the 210,000,000 Conversion Shares to be made under the General Mandates will not be subject to Independent Shareholders' approval.

At as the Latest Practicable Date, Shikumen Special Situations Fund, was interested in 203,820,000 Shares, representing approximately 12.82% of the existing issued share capital of the Company and it is required to abstain from voting for the approval of the Convertible Notes Subscription Agreement and granting of specific mandate for the issue and allotment of up to 1,890,000,000 Conversion Shares at the EGM under Listing Rules.

The Board has established the Independent Board Committee to give recommendation to the Independent Shareholders in respect of the Convertible Notes Subscription Agreement and voting in respect of the relevant resolution. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard under Rule 13.39(6) of the Listing Rules.

To the best knowledge of the Board of Directors, the Board of Directors are not aware of any relationships exist between the Subscribers and other existing shareholders of the Company.

The purpose of this circular is to provide you with, among other things, information about the Convertible Notes Subscription Agreement, notice of the EGM and recommendation from the Independent Financial Advisor and Independent Board Committee to enable shareholders to consider whether to vote for or against the resolution at the EGM.

### ADJUSTMENTS TO CONVERSION PRICE

On 5 December 2008, the Company has issued to the Subscribers the Convertible Notes of the aggregate principal amount of HK\$21 million and upon the full conversion of which, a maximum of 210,000,000 new Shares would be issued under the unused portion of the general mandate granted by the Company at the general meeting held on 30 May 2008.

Subject to fulfillment of the relevant conditions of the Convertible Notes (including consummation of Capital Reorganisation), the Conversion Price, which is HK\$0.1 per Share initially (represents a premium of 194.1% to the closing price of HK\$0.034 per Share on 28 November 2008, being the date of the Convertible Notes Subscription Agreement), would be subject to adjustments in the manner set out in the terms of the Convertible Notes, and the resultant number of Conversion Shares may exceed 210,000,000 under the General Mandate (Share Issue). Accordingly, the Company would have to seek specific approval of the Independent Shareholders of the Company to approve the Convertible Notes Subscription Agreement and issue of Conversion Shares pursuant to the principal terms therein contained in Appendix 2, including the adjustment events therein contained.



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## LETTER FROM THE BOARD

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Shareholders are also requested to refer to the Company's announcement made on 28 November 2008 and the letter from the Independent Financial Advisor, Veda Capital for additional information. A copy of the Convertible Notes Subscription Agreement is also available for inspection at the principal place of business of the Company in Hong Kong during normal business hours on any weekdays other than public holidays up to and including date of EGM.

The Conversion Price will be subject to anti-dilutive adjustments on specified changes to the share capital of the Company occurring after the issue date of the Convertible Notes, including share consolidation and sub-division, rights issue and open offer, capitalization issue, capital distribution and issue of new Shares or convertible securities with conversion price at lower than the thresholds set by reference to the then prevailing market price of the Shares on the Stock Exchange.

In addition, it is also provided in the conditions of the Convertible Notes that the Conversion Price will also be automatically adjusted and re-set under the Market Price Re-set every three (3) months, being January, April, July and October, in a year during the term of the Convertible Notes for so long as the principal amounts of the relevant Convertible Notes remain outstanding. By this arrangement, the Conversion Price shall be re-set and adjusted to the lower of (a) HK\$0.10 and (b) 80% of the value weighted average price per Share for the past 20 trading days ending at the end of each of these three (3) months intervals, provided that the first end date falling after issue of the notes must be at least 3 months after the date of issue. The highest and the lowest Conversion Prices permitted under the Market Price Re-set shall be limited to HK\$0.10 and HK\$0.01 per Share respectively.

The lower limit of the Conversion Price adjusted under the above Market Price Re-set is below the current HK\$0.10 par value of the Shares. Further, the adjustment provisions could result in the Company issuing further new Shares in addition to the 210,000,000 new Shares allowed under the General Mandate (Share Issue). **Accordingly, such adjustments, including the Market Price Re-set arrangements, will not be effective unless and until the following conditions for compliance with the Listing Rules, the constitutional documents of the Company and applicable law and regulations are duly fulfilled:**

1. the Capital Reorganisation becoming effective, such that the par value of the Shares shall be reduced to HK\$0.01 each;
2. the necessary specific approval being granted by the Independent Shareholders at the EGM for the Convertible Notes Subscription Agreement and transactions contemplated therein and to grant a specific mandate for the issue and allotment of the Conversion Shares at the Conversion Price adjusted and/or reset in addition to and, where applicable, including the 210,000,000 Shares allowed under the General Mandate (Share Issue); and
3. (if required) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, these Conversion Shares as mentioned in paragraph 2 above.

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## LETTER FROM THE BOARD

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If the above conditions as applicable are not fulfilled in accordance with the timetable published and revised by the Company from time to time under the Listing Rules and by the latest date of 31 July 2009 unless further agreement to postpone the date to beyond 31 July 2009 is made between the Company and the Noteholders, the Company shall issue written notices to the Noteholders. Within 15 business days after the date of the Company's notifications, the Noteholders will have rights to require the Company to redeem the Convertible Notes by issuing redemption notices to the Company. The Company shall then redeem and repay the relevant Convertible Notes to the relevant Noteholders within 45 business days after the date of the Noteholders' redemption notices received.

In relation to the Convertible Notes liable to be redeemed, the redemption price shall be based on their annualized accrued value accruing at 125% of the face value of their principal amounts, as pro-rated according to the number of days elapsed from issue date up to the date of the redemption notices issued by the relevant Noteholders divided by the total number of days in the 2-year term of the notes. The effective annualized interest rate based on subscription price of 102% and redemption price of 125% over 2-year term is 10.7%. If the Noteholders do not exercise their rights to redeem, they will continue to have the right to convert the principal amounts of the Convertible Notes at Conversion Price of HK\$0.10 into a maximum of 210,000,000 Conversion Shares under the unused portion of the General Mandate.

The Market Price Re-set was agreed after arm's length negotiations between the Company and the Subscribers to set, as far as practicable, the Conversion Price with reference to the then prevailing trading price of Shares on the Stock Exchange during the term of the Convertible Notes.

In determination of the initial Conversion Price, the parties noted that the recent trading price of the Shares on the Stock Exchange was below the current HK\$0.10 par value of the Shares. Adjustments (including the Market Price Re-set) could result in the Conversion Price being adjusted to below par value. As it is not lawful for the Company to issue new Shares below par value, the Company is undertaking the requisite procedures and steps under the Cayman Islands law to implement the Capital Reorganisation to reduce the par value of the shares to HK\$0.01 each.

The Capital Reorganisation was duly approved by the Shareholders at the EGM held on 19 January 2009 and the necessary documentation is now being prepared for submission to the Grand Court of the Cayman Islands. It is estimated that the court hearing will be held on 22 April 2009 and the Capital Reorganisation will become effective on 24 April 2009. Unless and until these steps are taken to comply with the Listing Rules and the applicable law, such Market Price Re-set will not be made or effective.

The conditions of the Convertible Notes as provided under the Convertible Notes Subscription Agreement require that the Conversion Rights may not be exercised by any of the Noteholders if it would result in (i) the Company in breach of the requirements of the Listing Rules (including the public float requirements and limits of the general mandate and specific mandate being sought in this EGM to issue new Shares), the Takeovers Code and other relevant regulations and/or change in control (within the meaning of such term in those code) of the Company and/or the Subscribers themselves in breach of such rules, codes and regulations; or (ii) obligations to make general offer for the Shares or otherwise resulting in change in control of the Company.

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## LETTER FROM THE BOARD

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### USE OF PROCEEDS

The Board of Directors consider that the material time of entering into of the Convertible Notes Subscription Agreement, the Company was facing an extremely tight liquidity situation as (i) the Group experienced a huge loss for the year ended 31 December 2007 and the six months ended 30 June 2008; (ii) the Group had been in a net current liabilities position; and (iii) the financing exercise of the proposed Open Offer was terminated previously.

As at 31 December 2007, the Group reported a net current liabilities position of approximately US\$7.3 million (equivalent to approximately HK\$57.1 million), which kept worsening to net current liabilities of approximately US\$34.7 million (equivalent to approximately HK\$270.8 million) as at 30 June 2008. In the Independent Auditor's Report as contained in the 2007 Annual Report and the Report on Review of Interim Financial Information as contained in the 2008 Interim Report, the auditors of the Company had expressed that the loss making position and net current liabilities of the Group indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Company originally proposed to raise net proceeds of about HK\$60.4 million by means of the Open Offer. The Open Offer has lapsed subsequently due to adverse market conditions in the global securities market prompted by the financial crisis in the US market occurring shortly after dispatch of the Open Offer prospectus, as announced by the Company on 29 September 2008. After termination of the Open Offer, the Directors believe that it will be desirable and justifiable for the Company to raise fund through the alternative means of issuing new convertible securities, which will strengthen the financial position of the Group.

The net proceeds received from issue of the Convertible Notes are intended to be applied as general working capital of the Group.

### EFFECT ON SHAREHOLDING STRUCTURE

On full conversion of HK\$21 million principal amount of the Convertible Notes at HK\$0.10 per Share, a maximum of 210,000,000 Conversion Shares in aggregate nominal value of HK\$21,000,000 will be issued by the Company, representing about 13.21% and 11.67% of its issued Shares currently and as enlarged by such issue respectively.

## LETTER FROM THE BOARD

The existing shareholding structure of the Company and the expected shareholding structure of the Company upon full conversion of the Convertible Notes (using the conversion price of HK\$0.10 each and (assuming that the above conditions for adjustments of the Conversion Price are satisfied) at HK\$0.01 each are set out below for illustration purposes:

Shareholders	Existing shareholding as at the Latest Practicable Date		Assuming full conversion of the Convertible Notes at HK\$0.10 per Share		Assuming full conversion of the Convertible Notes at HK\$0.01 per Share	
	Shares	(%)	Shares	(%)	Shares	(%)
Century Champion Group Limited (note 1)	256,470,000	(16.13%)	256,470,000	(14.25%)	256,470,000	(6.95%)
Chi Capital (note 2)	85,570,000	(5.38%)	85,570,000	(4.75%)	85,570,000	(2.32%)
Lin Cheng Hung (note 3)	9,431,452	(0.59%)	9,431,452	(0.52%)	9,431,452	(0.26%)
Hsu Chung (note 3)	10,652,743	(0.67%)	10,652,743	(0.59%)	10,652,743	(0.29%)
Huang Lien Tsung (note 3)	2,626,292	(0.17%)	2,626,292	(0.15%)	2,626,292	(0.07%)
Nguyen Duc Van (note 4)	1,173,638	(0.07%)	1,173,638	(0.06%)	1,173,638	(0.03%)
Hansom Group Limited Subscriber (note 5, note 6)	0		140,000,000	(7.78%)	1,400,000,000	(37.94%)
Shikumen Special Situations Fund Subscriber (note 5, note 6)	203,820,000	(12.82%)	273,820,000	(15.22%)	903,820,000	(24.49%)
Other Public	<u>1,020,255,875</u>	<u>(64.17%)</u>	<u>1,020,255,875</u>	<u>(56.68%)</u>	<u>1,020,255,875</u>	<u>(27.65%)</u>
Total	<u>1,590,000,000</u>	<u>(100.00%)</u>	<u>1,800,000,000</u>	<u>(100.00%)</u>	<u>3,690,000,000</u>	<u>(100.00%)</u>

*Notes:*

- These Shares are registered in the name of and beneficially owned by Century Champion Group Limited, the entire issued share capital of which is beneficially owned as to 100% by Vertex Precision Electronics Inc. ("Vertex"). 130,000,000 of these Shares are a security interest in shares charged in favour of Ta Chong Bank Co. Ltd. which has not been set out separately in the above table. Each of Mr. Lin Cheng Hung, Mr. Hsu Chung (being current executive Directors), Ms. Lin Yi Ting and Mr. Liao Kuang Sheng (being former Directors), is a shareholder of Vertex as at the latest practicable date. Mr. Lin Cheng Hung and Mr. Hsu Chung are indirectly interested in the business carried on by Vertex and its subsidiaries.
- Mr. Wong Chau Chi, an executive Director, is the sole beneficial owner and sole director of Chi Capital. Mr. Wong Chau Chi holds certain Share Options entitling him to subscribe for a total of 12,500,000 underlying Shares.
- An executive Director.

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## LETTER FROM THE BOARD

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4. A non-executive Director.
5. At the latest practicable date, the two Subscribers: Hansom Group Limited and Shikumen Special Situations Fund are currently holding 0 Shares and 203,820,000 Shares respectively representing about 0.00% and 12.82% respectively of the existing issued share capital of the Company. Accordingly, Shikumen Special Situations Fund is a substantial shareholder of the Company and connected person.
6. In accordance with the Convertible Notes Subscription Agreement, both subscribers shall abstain from voting on the resolution approving the Agreement at the General Meeting.
7. A maximum of 85,000,000 new Shares will be issued by the Company upon full conversion of the Share Options outstanding as at the latest practicable date. Save for these, the Company has no other outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares as at the date of this announcement.

The Capital Reorganisation by itself would not have any effect on the number of Shares in issue.

### EGM

After the issue of the Convertible Notes on 5 December 2008, the adjustments to the Conversion Price (including the Market Price Re-set) and allotment and issue of the Conversion Shares pursuant to these adjustment, are subject to, among others, the approval of the Independent Shareholders. A notice convening the EGM to be held at The Amercian Club, Floor 48, Exchange Square Two, Central, Hong Kong on Thursday, 9 April 2009 at 3:00 p.m. is set out on pages 41 to 42 of this circular at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Convertible Notes Subscription Agreement and transactions contemplated therein and to grant a specific mandate to the Directors for the issue and allotment of such Conversion Shares at the Conversion Price (if adjusted).

A copy of the Convertible Notes Subscription Agreement is available for inspection at the principal place of business of the Company in Hong Kong during normal business hours on any weekdays other than public holidays up to and including date of EGM.

There are only two Subscribers to the Convertible Notes. As at the Latest Practicable Date, the two Subscribers:- 1) Shikumen Special Situations Fund was interested in 203,820,000 Shares representing 12.82% of voting right and 2) Hansom Group Limited has no interest on Shares and therefore has no voting right. All Subscribers and their respective associates are required to abstain from voting for the approval of the Convertible Notes Subscription Agreement and granting of specific mandate for the issue and allotment of up to 1,890,000,000 Conversion Shares at the EGM under Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular. You are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

In relation to the adjustments to Conversion Price pursuant to the terms of the Convertible Notes and the grant of a specific mandate to the Director to issue and allot Shares upon the conversion of the Convertible Notes, your attention is drawn to the letter from the Independent Board Committee on pages 13 to 14 and the letter from Veda Capital set out on pages 15 to 32 of this circular.

The Board of Directors and the Independent Board Committee, having taken into account the advice of Veda Capital, considers that the terms of the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset are fair and reasonable so far as the Independent Shareholders are concerned and the issue of the Convertible Notes is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Convertible Notes Subscription Agreement were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Convertible Notes Subscription Agreement and transactions contemplated thereunder and to grant a specific mandate for the issue and allotment of up to 1,890,000,000 Conversion Shares at the Conversion Price subject to adjustments and reset.

The full text of the letter from the Independent Board Committee is set out on pages 13 to 14 of this circular.

Your attention is also drawn to the additional information set out in Appendix 3 of this circular.

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

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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

25 March 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**ADJUSTMENT TO CONVERSION PRICE OF CONVERTIBLE NOTES  
AND MANDATE TO ISSUE CONVERSION SHARES**

We refer to the circular to the Shareholders dated 25 March 2009 issued by Global Flex Holdings Limited of which this letter forms part. Terms used in this letter shall have the same respective meanings as those defined in this circular, unless the context otherwise requires.

The Independent Board Committee has been established to give a recommendation to the Independent Shareholders in respect of approving the Convertible Notes Subscription Agreement. Veda Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in connection with the approval of the Convertible Notes Subscription Agreement executed between the Company and the Subscribers. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in their letter on pages 15 to 32 of this circular.

Your attention is also drawn to the “Letter from the Board” on pages 4 to 12 of this circular.

The Independent Board Committee, having taken into account the advice of Veda Capital, consider that the terms of the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset are fair and reasonable so far as the Independent Shareholders are concerned and the issue of the Convertible Notes is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Convertible Notes Subscription Agreement were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Convertible Notes Subscription Agreement and transactions contemplated thereunder and to grant a specific mandate for the issue and allotment up to 1,890,000,000 Conversion Shares at the Conversion Price subject to adjustments and reset.

Yours faithfully,  
Independent Board Committee  
**Mr. Wang Wei-Lin, Mr. Chow Chi Tong and Mr Yu Kam Kee**  
*Independent non-executive Directors*



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## LETTER FROM VEDA CAPITAL

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*The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset, which has been prepared for the purpose of inclusion in the circular.*

**VEDA | CAPITAL**  
**智略資本**

**Veda Capital Limited**  
Suite 1302, 13/F, Takshing House  
20 Des Voeux Road Central  
Hong Kong

25 March 2009

*To the Independent Board Committee and the Independent Shareholders of  
Global Flex Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTION CONVERTIBLE NOTES SUBSCRIPTION AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in this circular (the “**Circular**”) dated 25 March 2009 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 November 2008, the Company and the Subscribers entered into the Convertible Notes Subscription Agreement under which the Subscribers subscribed a total of HK\$21 million Convertible Notes. Subject to fulfillment of the relevant conditions of the Convertible Notes, the Conversion Price, which is HK\$0.1 per Share initially, would be subject to adjustments in the manner set out in the terms of the Convertible Notes, and the resultant number of the Conversion Shares may exceed 210,000,000 under the General Mandate (Share Issue). Accordingly, the Company would have to seek approval of the Independent Shareholders to approve the Convertible Notes Subscription Agreement and transactions contemplated therein and to grant a specific mandate to the Directors for the issue and allotment of the Conversion Shares at the Conversion Price (as adjusted).

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## LETTER FROM VEDA CAPITAL

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One of the Subscribers, Shikumen Special Situations Fund, is currently holding 203,820,000 Shares representing approximately 12.82% of the existing issued share capital of the Company at the Latest Practicable Date. Accordingly, Shikumen Special Situations Fund is a substantial shareholder of the Company and a connected person of the Company, the issue of the Convertible Notes to Shikumen Special Situations Fund therefore constitutes a connected transaction of the Company under the Listing Rules and is subject to, amongst other things, the approval of the Independent Shareholders by poll at the EGM. Shikumen Special Situations Fund is required to abstain from voting for the approval of the Convertible Noted Subscription Agreement at the EGM under the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wang Wei-Lin, Mr. Chow Chi Tong and Mr. Yu Kam Kee, Lawrence, all of whom have neither involved in nor interested in the issue of the Convertible Notes and the mandate to issue Conversion Shares and thus being independent, has been established to advise the Independent Shareholders in respect of the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms and conditions of the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset are in the interests of the Company and the Independent Shareholders as a whole; (iii) whether the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset are on normal commercial terms and in the ordinary and usual course of business of the Company; and (iv) whether the Independent Shareholders should vote in favour of the resolution to approve the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset.

### **BASIS OF OUR ADVICE**

In arriving at our recommendations, we have relied on the information including but not limited to the published information of the Group and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions contained or referred to in the Circular and all information, representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which they are solely responsible, are true and accurate at the time when they were made and will continue to be accurate as at the date of EGM. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation and are in compliance with Rule 13.80(2) of the Listing Rules.

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## LETTER FROM VEDA CAPITAL

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we taken into account the principal factors and reasons set out below:

#### Financial highlights of the Group

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and is listed on the Stock Exchange. The principal activity of the Company is investment holding whilst its subsidiaries are mainly engaged in manufacturing and trading of printed circuit boards and assembly.

For the year ended 31 December 2007, the Group recorded a turnover of approximately US\$311.6 million (equivalent to approximately HK\$2,430.5 million), representing a decrease of approximately 1.2% from turnover of approximately US\$315.5 million (equivalent to approximately HK\$2,461.2 million) for the year ended 31 December 2006. Gross profit of the Group decreased by approximately 82.6% from approximately US\$36.5 million (equivalent to approximately HK\$284.8 million) for the year ended 31 December 2006 to approximately US\$6.34 million (equivalent to approximately HK\$49.4 million) for the year ended 31 December 2007. The overall gross profit margin declined from approximately 11.6% for the year ended 31 December 2006 to approximately 2.0% for the year ended 31 December 2007. As set out in the annual report (“**2007 Annual Report**”) of the Company for the year ended 31 December 2007, the gross profit and gross profit margin decrease mainly due to the followings: (i) the appreciation of Renminbi to US dollar and inflation in the PRC were main factors affecting the labour cost and manufacturing overhead, which both significantly increased during the 2007; (ii) raw material costs increased because of the continuous increase in petroleum and metal prices in 2007; (iii) the gross profit margin of flexible printed circuit boards assembly (“**FPCA**”) and rigid printed circuit board (“**PCB**”) reduced also due to the reduction in demand from the major customer; and (iv) the gross loss margin for printed circuit boards assembly (“**PCBA**”) and printed circuit board (“**PCB**”) both decreased due to the significant increase in material and component cost because of Renminbi appreciation which could not be reallocated in the selling price of the products. Due to deteriorating profit margin and intensified competition in PCBA, the Group had started to scale down such business since the fourth quarter of 2007. As a result, impairment loss on trade and other receivables and raw material increased for those PCBA and PCB customers. The net loss of the Group

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## LETTER FROM VEDA CAPITAL

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for the year ended 31 December 2007 was approximately US\$29.8 million (equivalent to approximately HK\$232.3 million) whereas the Group recorded a net profit of approximately US\$12.4 million (equivalent to approximately HK\$96.6 million) for the year ended 31 December 2006. Such loss was mainly due to a significant increase in cost of sales, administrative expenses and the reorganization of an impairment loss on machinery and equipment.

The Group reported a turnover of approximately US\$69.0 million (equivalent to approximately HK\$538.5 million) for the six months ended 30 June 2008, representing a significant decrease of approximately 52.20% compared with the turnover of US\$144.34 million (equivalent to approximately HK\$ 1,125.9 million) for the six months ended 30 June 2007. The decrease in turnover was caused by insufficiency of working capital of the Company for the purchase of raw materials resulting from further tightening of the Group's credit facilities by the banks and the change of the Group's operation structure. The Group recorded a gross loss of approximately US\$19.2 million (equivalent to approximately HK\$ 150.0 million) for the six months ended 30 June 2008 as compared to a gross profit of approximately US\$12.4 million (equivalent to approximately HK\$ 96.8 million) for the six months ended 30 June 2007, representing a decrease of approximately US\$31.6 million (equivalent to approximately HK\$246.8 million). As set out in the interim report ("**2008 Interim Report**") of the Company for the six months ended 30 June 2008, the decline in gross profit and gross profit margin of the Group were mainly due to the following reasons: (i) the banks further tightened the credit facilities, the Group had insufficient liquidity in working capital, which affect the payment schedule of purchase orders. The unconcluded purchase orders increased and the turnover decreased accordingly; (ii) the production capacity was low, while the fixed manufacturing costs and labour costs increased; (iii) Renminbi appreciated compared with US dollars, which led to increase in manufacturing costs and labour costs denominated in Renminbi; and (iv) in the previous 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 six months ended 30 June 2008, which led to a dramatic drop in gross profit of PCBA. The net loss of the Group for the six months ended 30 June 2008 was US\$35.0 million (equivalent to approximately HK\$273.2 million) whereas the Group reported a net profit of approximately US\$1.8 million (equivalent to approximately HK\$14.0 million) for the six months ended 30 June 2007, representing a decrease of approximately US\$36.8 million (equivalent to approximately HK\$287.2 million). The dramatically decline was mainly due to the decrease in turnover and the increase in administrative expense to approximately US\$13.4 million (equivalent to approximately HK\$104.3 million).

### **Reasons for and use of proceeds from the issuance of Convertible Notes**

The Directors have expressed that at the material time of entering into of the Convertible Notes Subscription Agreement, the Company was facing an extremely tight liquidity situation as (i) the Group experienced a huge loss for the year ended 31 December 2007 and the six months ended 30 June 2008; (ii) the Group had been in a net current liabilities position; and (iii) the financing exercise of the proposed Open Offer was terminated previously.

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## LETTER FROM VEDA CAPITAL

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As discussed in the section headed “Financial highlights of the Group” above, as a result of the increasing material costs, Renminbi appreciation and the tightening of credit facilities, the Group has been facing a difficult operating environment incurring increasing losses in recent years. In addition, as at 31 December 2007, the Group reported a net current liabilities position of approximately US\$7.3 million (equivalent to approximately HK\$57.1 million), which kept worsening to net current liabilities of approximately US\$34.7 million (equivalent to approximately HK\$270.8 million) as at 30 June 2008. In the Independent Auditor’s Report as contained in the 2007 Annual Report and the Report on Review of Interim Financial Information as contained in the 2008 Interim Report, the auditors of the Company had expressed that the loss making position and net current liabilities of the Group indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

The Company originally proposed to raise net proceeds of about HK\$60.4 million by means of the Open Offer. The Open Offer has lapsed subsequently due to adverse market conditions in the global securities market prompted by the financial crisis in the US market occurring shortly after dispatch of the Open Offer prospectus, as announced by the Company on 29 September 2008. After termination of the Open Offer, the Directors believe that it will be desirable and justifiable for the Company to raise fund through the alternative means of issuing new convertible securities, which will strengthen the financial position of the Group. We concur with the view of the Directors that the issuance of convertible securities as an opportunity to raise funds for the Company without immediate dilution of the shareholding of the existing Shareholders in the Company.

The net proceeds received from issue of the Convertible Notes are intended to be applied as general working capital of the Group.

### Principal terms of Convertible Notes

In order to assess the fairness and reasonableness of the terms of the Convertible Notes, we have looked into all the recent issues (since November 2007 until the date of the Convertible Notes Subscription Agreement) of convertible bonds/notes (the “Comparables”) by listed companies in Hong Kong with reset/adjustment mechanism to the relevant conversion price for reference. We believe that the Comparables may reflect the recent trend of the terms of convertible bonds/ notes in the market. Set out below is a summary of the Comparables:

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
26 Nov 07	Chun Wo Development Holdings Limited (711)	HK\$372.3 million	100% of principal amount	5 years	0%	143.6%	7.4%	29.76%	No	3

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## LETTER FROM VEDA CAPITAL

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### Conversion price adjustment/reset mechanism

If the volume weighed average price for each day during the 30 consecutive trading days ending on the 30th day prior to before the reset dates is less than the conversion price in effect on such date, the conversion price will automatically be adjusted downwards to the arithmetic average of the volume weighted average price during such 30 trading day period, save that the adjusted conversion price shall not be lower than the reset price floor, the lowest of which is 70% of the initial conversion price.

Any such adjustment to the conversion price shall only be a downward adjustment.

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
6 Dec 07	Dynamic Energy Holdings Limited (578)	HK\$194.5 million	100% of principal amount	3 years	2% per annum	160%	18.3%	19.21%	Yes with negative pledge	1

### Conversion price adjustment/reset mechanism

If the volume weighted average price for the five dealing days immediately prior to the reset date is lower than the then prevailing conversion price, the conversion price will be reduced to the current market price, subject to a floor of 80% of the then prevailing conversion price.

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
10 Jan 08	Rising Development Holdings Limited (1004)	HK\$837 million	100% of principal amount	3 years	1% per annum	Not available	1.0%	(9.68)%	No	1

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## LETTER FROM VEDA CAPITAL

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### Conversion price adjustment/reset mechanism

The conversion price of HK\$0.28 shall be adjusted to HK\$0.20 (which is approximately 71.4% of the highest conversion price) in the event that the average trading price of the shares on the Stock Exchange for 10 consecutive trading days immediately prior to the relevant reset date is less than HK\$0.20.

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
18 Feb 08	Challenger Group Holdings Limited (8203)	HK\$920 million	100% of principal amount	5 years	1% per annum	130%	6.4%	85.71%	No	Any time commencing on the date of issue up to the maturity date, with a maximum of 920 times

### Conversion price adjustment/reset mechanism

The conversion price is the lower of either:

- (i) the initial conversion price of HK\$1.30; or
- (ii) 100% of the average of the three lowest closing prices for a share on the Stock Exchange or, if trading in the shares is suspended and there is no closing price at the Stock Exchange on a relevant day, the last traded price reported per share on such day, during the 20 trading days period prior to the date of issue of the conversion notice save that the lowest variable conversion price shall not be less than the nominal value of the share of HK\$0.01 (representing approximately 0.77% of the initial conversion price).

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
4 Mar 08	China HealthCare Holdings Limited (673)	HK\$20 million	100% of principal amount	3 years	2% per annum	100%	2.0%	110.9%	No	Any time commencing on 6 months from the date of issue up to the maturity date

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## LETTER FROM VEDA CAPITAL

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### Conversion price adjustment/reset mechanism

The conversion price is the lower of either:

- (i) the initial conversion price of HK\$1.16; or
- (ii) the volume-weighted average price of the shares for the 20 trading days ending on the day immediately preceding the date of a relevant conversion notice multiplied by a factor of 0.90 times, but in any case not lower than HK\$0.30 (representing approximately 25.9% of the initial conversion price).

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
10 Jun 08	Gay Giano International Group Limited (686)	HK\$456.9 million	100% of principal amount	3 years	2% per annum	130.08%	11.2%	(23.31)%	Yes	5

### Conversion price adjustment/reset mechanism

The initial conversion price of HK\$1.27305 shall be reset on the 1st anniversary day after the issue date to the lower of:

- (i) the initial conversion price; and
- (ii) 100% of the 3-day volume weighted average price per share prior to the reset date, subject to the restriction that the reset conversion price cannot be lower than 90% of the initial conversion price.

Thereafter, the prevailing conversion price shall be reset semi-annually to the lower of:

- (i) the prevailing conversion price; and



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## LETTER FROM VEDA CAPITAL

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- (ii) 100% of the 3-day volume weighted average price per share prior to the relevant date of reset of the conversion price, subject to the restriction that the reset conversion price cannot be lower than 90% of the prevailing conversion price immediately before the relevant reset (The lowest conversion price represents approximately 59% of the initial conversion price).

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
1 Aug 08	SRE Group Limited (1207)	HK\$383.2 million	100% of principal amount	5 years	4.5% per annum	122.39%	8.6%	13.6%	Yes with negative pledge	6

### Conversion price adjustment/reset mechanism

If the average of the volume weighted average closing price of the shares for each day during the period of 20 consecutive trading days immediately prior to any of the reset dates is lower than the conversion price (the initial conversion price is HK\$1.00) on the relevant reset date, the conversion price will be adjusted so that the volume weighted average closing price in respect of such reset date shall be the conversion price in effect from, and including, the relevant reset date provide that:

- (i) the conversion price shall not be reduced below HK\$0.70 per share (representing 70% of the initial conversion price); and
- (ii) any adjustments to the conversion price made pursuant to the above conversion price reset mechanism shall only be downward adjustments.

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
7 Aug 08	Asia Orient Holdings Limited (214)	HK\$80 million	100% of principal amount	2 years	4% per annum	100%	4.0%	4%	No	1

### Conversion price adjustment/reset mechanism

The conversion price of HK\$1.30 is subject to the reset adjustment on the date falling on the first anniversary of the date of issue of the convertible bonds whereby the conversion price will be adjusted to the lower of:

- (i) the conversion price at the reset date; and

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## LETTER FROM VEDA CAPITAL

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- (ii) a 5% premium to the average of the closing prices per share for the 3 consecutive trading days immediately prior to the date of the reset adjustment, provided that the conversion price after such reset adjustment shall not be lower than the minimum reset price of HK\$1.04 (representing 80% of the initial conversion price).

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
17 Sep 08	Neolink cyber Technology (Holding) Limited (8116)	HK\$456 million	100% of principal amount	5 years	0%	105%	1.0%	33.33%	No	1

### Conversion price adjustment/reset mechanism

The initial conversion price of HK\$0.08 shall be adjusted within the period during which the which the convertible bonds remains outstanding to HK\$0.04 (representing 50% of the initial conversion price) in the event that the average trading price of the shares on the Stock Exchange for 10 consecutive trading days immediately prior to the relevant reset date is less than HK\$0.04. There is no pre-set date for resetting the conversion price. The conversion price can only be reset once.

Date of announcement	Company (Stock code)	Principal amount of convertible bond/note	Subscription price	Maturity	Interest rate per annum	Redemption price	Effective annualized interest rate	Premium/ (discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement	Security	Number of resets of the conversion price
		Lowest	100%	2 years	0%	100%	1.0%	(23.31)%		1
		Highest	100%	5 years	4.5%	160%	16.3%	110.9%		Any time commencing on 6 months from the date of issue up to the maturity date
	The Company	HK\$21 million	102% of principal amount	2 years	0%	125%	10.7%	194.1%	No	6

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## LETTER FROM VEDA CAPITAL

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### Conversion price adjustment/reset mechanism

The Conversion Price will be automatically adjusted and re-set under the Market Price Re-set every 3 months, being January, April, July and October, in a year during the term of the Convertible Notes for so long as the principal amounts of the relevant Convertible Notes remain outstanding. By this arrangement, the Conversion Price shall be re-set and adjusted to the lower of:

- (a) HK\$0.10; and
- (b) 80% of the value weighted average price per Share for the past 20 trading days ending at the end of each of these 3 months intervals, provided that the first end date falling after issue of the notes must be at least 3 months after the date of issue. The highest and the lowest Conversion Prices permitted under the Market Price Re-set shall be limited HK\$0.10 and HK\$0.01 (representing 10% of the initial Conversion Price) per Share respectively.

*Source:* the Stock Exchange

#### (a) *Conversion price*

At the option of the Subscribers, the Convertible Notes can be converted into new Shares at the Conversion Price and the initial Conversion Price of HK\$0.10 per Share represents a premium of approximately 194.1% to the closing price of HK\$0.034 per Share as quoted on the Stock Exchange on 28 November 2008 (being the date of the Convertible Notes Subscription Agreement) (the “**Last Trading Day**”).

As indicated in the above table setting out the Comparables, the premium of approximately 194.1% represented by the initial Conversion Price to the closing price of HK\$0.034 per Share as quoted on the Stock Exchange on the Last Trading Day is at a higher premium over the range of premiums/discounts represented by the Comparables on the relevant last trading days, which ranges between a discount of approximately 23.31% and a premium of approximately 110.9%. In this regard, we consider the initial Conversion Price of HK\$0.10 fair and reasonable so far as the interests of the Company and the Independent Shareholders are considered.

#### *Adjustment to Conversion Price*

The Conversion Price is subject to anti-dilutive adjustments on specified changes to the share capital of the Company occurring after the issue date, including share consolidation and sub-division, rights issue and open offer, capitalization issue, capital distribution and issue of new Shares or convertible securities with conversion price at lower than the thresholds set by reference to the then prevailing market price of the Shares on the Stock Exchange, which is similar to the cases of the Comparables.

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## LETTER FROM VEDA CAPITAL

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In addition, it is also provided in the conditions of the Convertible Notes that the Conversion Price will also be automatically adjusted and re-set under the Market Price Re-set every 3 months, being January, April, July and October, in a year during the term of the Convertible Notes for so long as the principal amounts of the relevant Convertible Notes remain outstanding. By this arrangement, the Conversion Price shall be re-set and adjusted to the lower of (a) HK\$0.10 (the “**Fixed Conversion Price**”) and (b) 80% of the value weighted average price per Share for the past 20 trading days ending at the end of each of these 3 months intervals (the “**Variable Conversion Price**”), provided that the first end date falling after issue of the notes must be at least 3 months after the date of issue. As set out in the Board Letter, it is estimated that the Capital Reorganisation will become effective on 24 April 2009. Accordingly, there are at most 6 re-set dates prior to the maturity date of the Convertible Notes (with the earliest possible re-set date in July 2009), which also lies within the comparison range of the Comparables with the minimum of one re-set and the maximum of unlimited times of re-set from 6 months from the date of issue of convertible bonds to the maturity date.

The principal terms of the Convertible Notes was negotiated between the Company and the Subscribers that the Conversion Price is set at the lower of either the Fixed Conversion Price or the Variable Conversion Price. The reason for having a Variable Conversion Price rather than just the Fixed Conversion Price is to enable the Conversion Shares to be issued upon the exercising the conversion rights attached to the Convertible Notes are priced based on the prevailing market price of the Shares with the Fixed Conversion Price as a cap to commensurate the risk profile of the Convertible Notes such as zero coupon rate, high subscription price (102% of the principal amount in the case of the Convertible Notes versus 100% in the cases of the Comparables) and no security.

The lower limit of the Conversion Price adjusted under the Market Price Re-set is represented by the Variable Conversion Price and is equivalent to 20% to the weighted average price per Share for the last 20 trading days prior to the adjustment dates, which is amongst the highest discount rate to the weighted average closing price as represented by the lower limits of adjustment for the Comparables. However, given the fact that (i) the Market Price Re-set is not restricted for downward adjustments only for all subsequent adjustments, i.e. after previous downward adjustment(s) to the Conversion Price, should the market price of the Shares increase prior to the next adjustment date, the Conversion Price could be adjusted upwards accordingly with the maximum limit capped at the Fixed Conversion Price of HK\$0.10, which represents the highest premium to the closing price on the Last Trading Day amongst the Comparables. Comparatively, 2 of the 5 Comparables with multiple adjustment dates are restricted to downward adjustments only, i.e. whenever there are further adjustments, such adjustments to conversion price must go downwards; and (ii) as illustrated in the above comparison table, the range of percentage of the lowest conversion price to the initial conversion price of the Comparables ranged from approximately 0.77% to 80% and pursuant to the Convertible Notes Subscription Agreement, the highest and the lowest Conversion Prices permitted under the Market Price Re-set shall be limited to HK\$0.10 and HK\$0.01 per Share respectively, i.e. the lowest Conversion Price represents 10% of the initial Conversion Price, therefore it falls within the comparison range. Based on the above, we considered the Variable Conversion Price is fair and reasonable so far as the interests of the Company and the Independent Shareholders are considered.

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## LETTER FROM VEDA CAPITAL

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The lower limit of the Conversion Price adjusted under the Market Price Re-set is below the current HK\$0.10 par value of the Shares. Further, the adjustment provisions could result in the Company issuing further new Shares in addition to the 210,000,000 new Shares allowed under the General Mandate (Share Issue). Accordingly, such adjustments, including the Market Price Re-set arrangements, will not be effective unless and until the following conditions for compliance with the Listing Rules, the constitutional documents of the Company and applicable law and regulations are duly fulfilled:

1. the Capital Reorganisation becoming effective, such that the par value of the Shares shall be reduced to HK\$0.01 each;
2. the necessary specific approval being granted by the Independent Shareholders at the EGM of the Convertible Notes Subscription Agreement and transactions contemplated therein and to grant a specific mandate for the issue and allotment of the Conversion Shares at the Conversion Price adjusted and/or reset in addition to and, where applicable, including the 210,000,000 Shares allowed under the General Mandate (Shares Issue); and
3. (if required) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, these Conversion Shares as mentioned in paragraph 2 above

If the above conditions as applicable are not fulfilled in accordance with the timetable published and revised by the Company from time to time under the Listing Rules, the Company shall issue written notices to the Noteholders. Within 15 business days after the date of the Company's notifications, the Noteholders will have rights to require the Company to redeem the Convertible Notes by issuing redemption notices to the Company. The Company shall then redeem and repay the relevant Convertible Notes to the relevant Noteholders within 45 business days after the date of the Noteholders' redemption notices received. Given the above conditions are for compliance of the relevant provision of the Listing Rules and fulfilling the requirements by the relevant authorities, we concur with the Directors that the conditions of the adjustments to the Convertible Notes Subscription Agreement are in normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

In relation to the Convertible Notes liable to be redeemed, the redemption price shall be based on their annualized accrued value accruing at 125% of the face value of their principal amounts, as pro-rated according to the number of days elapsed from issue date up to the date of the redemption notices issued by the relevant Noteholders divided by the total number of days in the 2-year term of the notes. Please also refer to the section headed "Redemption and effective annualized interest rate" below for the comparable analysis.

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## LETTER FROM VEDA CAPITAL

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(b) *Interest rate*

We have looked into the interest rates of the Comparables in order to assess the fairness and reasonableness of the interest rate carried by the Convertible Notes. The Comparables carry annual interest rates ranging from 0% to 4.5%. We consider that the zero interest rate of the Convertible Notes which would not insert interest payment burden on the Company is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

(c) *Redemption and effective annualized interest rate*

To the extent that they have not been converted, the Convertible Notes outstanding shall be redeemed by the Company at the maturity date at the price of 125% of their respective principal amounts then outstanding. The Noteholders shall have early redemption right exercisable against the Company in respect of the whole or part of their Convertible Notes if the Market Price Re-set could not become unconditional and effective. Since the redemption rate of the Convertible Notes of 125% lies within the range of redemption rates of the Comparables from 100% to 160%, we consider the redemption rate of the Convertible Notes fair and reasonable so far as the Company and the Independent Shareholders are concerned.

The effective annualized interest rate based on subscription price of 102% and redemption price of 125% with 0% coupon rate over 2-year term is approximately 10.7%, which lies within the range of the effective annualized interest rates of the Comparables from approximately 1.0% to approximately 16.3%. In this regard, we consider the effective annualized interest rate of the Convertible Notes fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Having considered the flexibility associated with the early redemption feature and with a redemption rate falling within the range of redemption rates of the Comparables, we are of the view that the term of redemption of the Convertible Notes is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

(d) *Maturity and transferability*

The Convertible Notes have a maturity period of two years from the date of issue whereas those of the Comparables are between two and five years. The Convertible Notes are freely transferable and the Company will notify the Stock Exchange any transfers of the Convertible Notes by the Subscribers to any connected persons upon becoming aware of such transfers. We consider that the terms of the Convertible Notes in relation to maturity and transferability are normal for debt securities of similar kind.

Having considered the above, we are of the view that the principal terms of the Convertible Notes are fair and reasonable and the issue of the Convertible Notes as a whole is on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM VEDA CAPITAL

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### **Possible financial effects**

#### **(a) *Working capital***

The Group's capital base will be strengthened assuming the issue of the Convertible Notes and its subsequent conversions. The working capital position of the Group will also be improved as a result of the increase in its cash and bank balances from net proceeds from the issue of the Convertible Notes of approximately HK\$20 million.

#### **(b) *Net assets***

Upon the issue of the Convertible Notes and before any conversion of the Convertible Notes, there will not be a material effect or improvement on the net asset of the Group. Assuming the Convertible Notes are converted in full at the Conversion Price, the consolidated net asset of the Group will be increased by the then aggregate principal amount of the Convertible Notes.

#### **(c) *Gearing ratio***

Gearing ratio (calculated as total loans divided by total assets) has been commonly used to assess the financial effects on companies by different events. As at 30 June 2008, the gearing ratio of the Group was approximately 28.2%. Upon issue of the Convertible Notes, since the amount both total loans and total assets (with the proceeds from the Convertible Notes) increased, the gearing ratio also increased. Upon the subsequent conversions of the Convertible Notes, the gearing ratio will improve accordingly.

Having considered the benefits of improving the consolidated net asset and gearing ratio if the Convertible Notes are fully converted and the increase in working capital upon the issue of the Convertible Notes, we consider that the conversion of the Convertible Notes is fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

### **Potential dilution effect on the shareholding interests of the Independent Shareholders**

Based on the shareholding structure of the Company as set out in the Board Letter, as at the Latest Practicable Date, 1,020,255,875 Shares were held by public Shareholders, representing approximately 64.17% of the issued share capital of the Company.

Upon full conversion of the Convertible Notes at the highest Conversion Price of HK\$0.10, the number of Conversion Shares held by the Subscribers will be 210,000,000, representing approximately 11.67% of the issued share capital of the Company as enlarged by the Conversion Shares issued upon conversion. The number of Shares held by existing public Shareholders will remain unchanged and the corresponding shareholding will decrease to approximately 56.68%.

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## LETTER FROM VEDA CAPITAL

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Upon full conversion of the Convertible Notes at the highest Conversion Price of HK\$0.01, the number of Conversion Shares held by the Subscribers will be 2,100,000,000, representing approximately 56.9% of the issued share capital of the Company as enlarged by the Conversion Shares issued upon conversion. The number of Shares held by existing public Shareholders will remain unchanged and the corresponding shareholding will decrease to approximately 27.65%.

In view of the possible future dilution of the shareholdings of the existing Shareholders upon conversion in full or in part of the Convertible Notes, the Company will keep the Shareholders informed of the level of dilution and details of conversion and such details are stated in the section headed "Effect on shareholding structure" in the Board Letter.

The dilution in the shareholdings of Independent Shareholders would vary between the amount of approximately 7.49% and approximately 36.52% depending on amount the Conversion Price upon conversion by the Subscribers, however, having considered that:

- (i) the Group has been facing a difficult operating environment incurring increasing losses in recent years;
- (ii) as at 31 December 2007, the Group reported a net current liabilities position of approximately US\$7.3 million (equivalent to approximately HK\$57.1 million), which kept worsening to net current liabilities of approximately US\$34.7 million (equivalent to approximately HK\$270.8 million) as at 30 June 2008;
- (iii) the auditors of the Company had expressed that the loss making position and net current liabilities of the Group indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern;
- (iv) after termination of the Open Offer, the Directors believe that it will be desirable and justifiable for the Company to raise fund through the alternative means of issuing the Convertible Notes, which will strengthen the financial position of the Group;
- (v) the net proceeds from the issue of the Convertible Notes will improve the current extremely tight liquidity situation of the Group and improve the working capital position of the Group;
- (vi) the premium of approximately 194.1% represented by the initial Conversion Price of HK\$0.10 to the closing price of HK\$0.034 per Share as quoted on the Stock Exchange on the Last Trading Day is at a higher premium over the range of premiums/discounts represented by the Comparables on the relevant last trading days, which ranges between a discount of approximately 23.31% and a premium of approximately 110.9%;
- (vii) there are at most 6 re-set dates prior to the maturity date of the Convertible Notes, which lies within the comparison range of the Comparables with the minimum of one re-set and the maximum of unlimited times of re-set from 6 months from the date of issue of convertible bonds to the maturity date;



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## LETTER FROM VEDA CAPITAL

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- (viii) the reason for having a Variable Conversion Price rather than just the Fixed Conversion Price is to enable the Conversion Shares to be issued upon the exercising the conversion rights attached to the Convertible Notes are priced based on the prevailing market price of the Shares with the Fixed Conversion Price as a cap to commensurate the risk profile of the Convertible Notes such as zero coupon rate, high subscription price and no security;
- (ix) the lowest Conversion Price represents 10% of the initial Conversion Price, therefore it falls within the comparison range of percentage of the lowest conversion price to the initial conversion price of the Comparables, which range from approximately 0.77% to 80%;
- (x) the Market Price Re-set is not restricted for downward adjustments only for all subsequent adjustments, whereas 2 of the 5 Comparables with multiple adjustment dates are restricted to downward adjustments only;
- (xi) the discount of 20% to the weighted average price per Share for the last 20 trading days prior to the adjustment dates represented by the Variable Conversion Price, although is not identical, is similar and comparable to the discount requirement under Rule 13.36(5) of the Listing Rules for issue of securities under the general mandate granted under general meeting, i.e. a discount of less than 20% to the benchmarked price of the securities;
- (xii) the zero interest rate of the Convertible Notes would not insert interest payment burden on the Company;
- (xiii) the redemption rate of the Convertible Notes of 125% lies within the range of redemption rates of the Comparables from 100% to 160% and the flexibility associated with the early redemption feature of the Convertible Notes;
- (xiv) the effective annualized interest rate based on subscription price of 102% and redemption price of 125% with 0% coupon rate over 2-year term is approximately 10.7%, which lies within the range of the effective annualized interest rates of the Comparables from approximately 1.0% to approximately 16.3%;
- (xv) the terms of the Convertible Notes in relation to maturity and transferability are normal for debt securities of similar kind; and
- (xvi) the benefits of improving the consolidated net asset and gearing ratio if the Convertible Notes are fully converted and the increase in working capital upon the issue of the Convertible Notes,

we are of the view that such dilution effect to public Shareholders is acceptable so far as the Independent Shareholders are concerned.

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## LETTER FROM VEDA CAPITAL

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### **Recommendations**

Taking into consideration of the above mentioned principal factors and reasons, we consider that the terms of the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset are fair and reasonable so far as the Independent Shareholders are concerned and the issue of the Convertible Notes is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Convertible Notes Subscription Agreement were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Convertible Notes Subscription Agreement and transactions contemplated thereunder including issue and allotment of the Conversion Shares at the Conversion Price subject to adjustments and reset.

Yours faithfully,

For and on behalf of

**Veda Capital Limited**

**Hans Wong**

**Julisa Fong**

*Managing Director*

*Executive Director*

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**APPENDIX 1****SUBSCRIBERS TO CONVERTIBLE NOTES**

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	<b>Name of Subscriber</b>	<b>Principal amounts of the Convertible Note subscribed (HK\$)</b>	<b>Subscription price for Convertible Note subscribed (HK\$)</b>
1.	Hansom Group Limited	14,000,000	14,280,000
2.	Shikumen Special Situations Fund	<u>7,000,000</u>	<u>7,140,000</u>
	<b>TOTAL</b>	<u><u>21,000,000</u></u>	<u><u>21,420,000</u></u>

<b>Issuance Amount</b>	HK\$21,000,000
<b>Nominal Value per Convertible Note</b>	HK\$10,000
<b>Convertible Note Par Value</b>	100% of Nominal Value
<b>Subscription Price</b>	102% of Convertible Note Par Value
<b>Issuance Date</b>	5 December 2008
<b>Maturity</b>	2 years from Issuance Date
<b>Conversion Period</b>	From Issuance Date to Maturity Date with 15 days written notice
<b>Coupon</b>	0%
<b>Conversion Price</b>	HK\$0.1 per Share subject to Adjustment
<b>Adjustment of conversion price</b>	The conversion price is subject to: <ul style="list-style-type: none"><li>(a) usual anti-dilution adjustments in certain events including share consolidation, share subdivision, capitalization issue, capital distribution, rights issue, open offer and equity or equity derivatives issues for cash or consideration for acquisition of any asset at a total effective consideration per share which is less than 90% of the average closing price of the shares of the Company as quoted on the Stock Exchange for the last five trading days immediately preceding the day on which the terms of such issue is to be determined; and</li><li>(b) adjustment with reference to market price under and subject to the following provisions:<ul style="list-style-type: none"><li>(i) the Company shall obtain a figure being equal to 80% of the Bloomberg's calculation of "VWAP" (Value Weighted Average Price) per Share for the past 20 trading days ending on the last date (or if such figure not available on such date, the first available date immediately before such date) as appears on relevant Bloomberg screen ("Re-set Reference Date") of each of January, April, July and October falling after the date hereof but not later than the Maturity Date, provided that the first Re-set Reference Date so set shall be at least three (3) months after the date hereof;</li></ul></li></ul>

- (ii) the Conversion Price shall then be reset and adjusted to the lower of (1) HK\$0.10 and (2) 80% of the above VWAP obtained. Such adjustment shall become effective from the close of business in Hong Kong on the day immediately after the Re-set Reference Date; and
- (iii) if and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount other than HK\$0.10 presently or (after completion of the capital reduction mentioned above) HK\$0.01 each, as the case may be, the 80% of the VWAP stated above shall also be subject to adjustment in the same manner as provided in (a) substituting the Conversion Price used therein by 80% of the VWAP.

**Final Redemption Price**

125% of Convertible Note Par Value

**Early Redemption**

If the Grand Court of Cayman Islands does not approve the Capital Reorganisation which was approved by the Shareholders in the meeting held on 19 January 2009 the Convertible Note can be early redeemed by the Subscribers with 45 days written notice.

Early Redemption Price will be accreted pro rata based on the annualized accrued value of the Final Redemption Price

**Minimum Conversion Amount**

HK\$10,000 in principal amount

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

**2. DISCLOSURE OF INTERESTS****Directors' interests in the securities of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

<b>Name of Director</b>	<b>Long/short position</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Wong Chau Chi	Long	Interest of controlled corporation ( <i>Note</i> )	85,570,000	5.38%
Lin Cheng Hung	Long	Beneficial owner	9,431,452	0.59%
Hsu Chung	Long	Beneficial owner	10,652,743	0.67%
Huang Lien Tsung	Long	Beneficial owner	2,626,292	0.17%
Nguyen Duc Van	Long	Beneficial owner	1,173,638	0.07%

*Note: 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 director of Chi Capital.*

Long positions in share options of the Company:

<b>Name of Director</b>	<b>Number of options directly beneficially owned</b>
Wong Chau Chi	12,500,000
Hsu Chung	<u>12,500,000</u>
	<u>25,000,000</u>

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

#### Interests of substantial Shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

<b>Name of Shareholder</b>	<b>Long/short position</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Century Champion Group Limited	Long	Beneficial owner	256,470,000 <sup>1</sup>	16.13%
Vertex Precision Electronics Inc.	Long	Interest of controlled corporation	256,470,000 <sup>1</sup>	16.13%
Shikumen Special Situations Fund	Long	Beneficial owner	203,820,000 <sup>2</sup>	12.82%
Lau Jeffrey Chun Hung Tsung	Long	Investment manager	203,820,000 <sup>2</sup>	12.82%

Name of Shareholder	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Tang Yu Ming Nelson	Long	Investment manager	203,820,000 <sup>2</sup>	12.82%
Ta Chong Bank Co. Limited	Long	Security interest in shares	130,000,000	8.17%
Chi Capital	Long	Beneficial owner	85,570,000 <sup>3</sup>	5.38

*Notes:*

1. These represent the same parcel of Shares in which Century Champion Group Limited is deemed to be interested under the SFO.
2. These represent the same parcel of Shares in which Shikumen Special Situations Fund is deemed to be interested under the SFO.
3. Wong Chau Chi, an executive Director of the Company, is also a director of Chi Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company was a director or employee of a company which had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### 4. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP

As at the Latest Practice Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

### 5. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.



**6. INTEREST OF DIRECTORS OR EXPERTS IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE GROUP**

Since the date to which the latest published audited accounts of the Company were made up until the Latest Practicable Date, none of the Directors or experts (as listed out in paragraph 7 below) had or had proposed to acquire or dispose or lease any interest, direct or indirect, in any assets to any member of the Group.

**7. EXPERT AND CONSENT**

The following is the qualifications of the expert who has been named in this circular or has given opinions or letters contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Veda Capital	a licensed corporation to carry on type 6 regulated activity (advising on corporate finance) under the SFO

As at the Latest Practicable Date, Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears. As at the Latest Practicable Date, Veda Capital was not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors express that the business and operations of the Group have been adversely affected, and it is expected that its revenue for the year ended 31 December 2008 will likely be subject to a significant drop as compared with that of the previous year. In addition, due to internal business reorganization, the Company, to be advised by the auditors of the Company, may take step to write off and impair a number of assets that were idle or no longer in production. For the above reasons, it is expected that the financial results of the Group for the year ended 31 December 2008 may experience a significant decline as compared with those for the corresponding period in 2007.

Shareholders are also requested to refer to the Company's announcements made on 3 and 4 March 2009.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company which is situated at 1701-1702, 17th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the Memorandum and Articles of Association of the Company;
- (c) the Convertible Notes Subscription Agreement;
- (d) the letter from the Independent Board Committee as set out on pages 13 to 14 of this circular;
- (e) the letter from Veda Capital as set out on pages 15 to 32 of this circular;
- (f) the written consent of Veda Capital.

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## NOTICE OF THE EGM

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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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Global Flex Holdings Limited (the “**Company**”) will be held at The Amercian Club, Floor 48, Exchange Square Two, Central, Hong Kong on Thursday, 9 April 2009 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without modifications, of the Company:

#### ORDINARY RESOLUTION

“**THAT** subject to the Capital Reorganization becoming effective, the Convertible Notes Subscription Agreement dated 28 November 2008 entered into between the Company and the subscribers, a copy of which marked “A” has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, are hereby approved, and the Directors be and are hereby authorized to issue and allot new shares in excess 210,000,000 shares allowed under the general mandate, up to a maximum of 1,890,000,000 shares upon the exercise of the conversion rights attaching to the Convertible Notes.”

By order of the board of Directors of  
**Global Flex Holdings Limited**  
**Wong Chau Chi**  
*Chairman*

Hong Kong, 25 March 2009

*Registered Office:*

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

*Head office and principal place of business in Hong Kong:*

1701-1702, 17/F  
The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

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## NOTICE OF THE EGM

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**Notes:**

1. A form of proxy for use at the Meeting is enclosed under the circular of the Company dated the same date as this notice for use by the shareholders of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one proxy or, if he is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar ("**Branch Registrar**") in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint registered holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote.

*As at the date of this notice, the board of Directors consists of 11 Directors, namely Mr. Lin Cheng Hung, Mr. Wong Chau Chi, Mr. Hsu Chung and Mr. Huang Lien Tsung all being executive Directors, Mr. Yang Yi, Mr. Chou Tsan Hsiung, Mr. Nguyen Duc Van and Dr. Li Jun all being non-executive Directors, and Mr. Wang Wei-Lin, Mr. Chow Chi Tong and Mr. Yu Kam Kee, Lawrence BBS, MBE, JP all being independent non-executive Director.*