

**GLOBAL FLEX HOLDINGS LTD:
THE QUESTION IS WHETHER OR NOT THE TAIWAN
PARENT WILL BE A MILLSTONE AROUND THIS COMPANY'S NECK**

Considering that it is, really, only a maximum of 5 years old, the growth of Global Flex Holdings Ltd (佳邦環球控股有限公司) (Code: 471, Main Board, The Stock Exchange of Hongkong Ltd), is nothing short of phenomenal.

But there are potential problems in this Company, which recently went public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), problems that could topple it in as short a space of time as it took Management to build up this manufacturer of **Printed Circuit Boards (PCB)**.

The 2 principle problems that **TARGET** recognises are:

- (a) Its Substantial Shareholder, which is, also, the controlling shareholder, named Vertex Precision Electronics Incorporated, a Taiwan-domiciled company, the shares of which are traded on the Greta Securities Market of the Republic of China (中華民國證券櫃檯買賣中心), also known, popularly, as Taiwan, is very weak, financially, and appears to be getting weaker as the years go by. By the looks of things, this company could run into major financial trouble, at any time, now; and,
- (b) The dependence on one major customer is especially dangerous because, if General Motors Corporation, the largest manufacturer of motor vehicles in the world, can run into trouble, so much so that reports suggest that it might have to seek shelter from its many US creditors, it is an absolute guarantee that this single major customer of Global Flex Holdings, also, can run into problems in a shot – despite Motorola Incorporated, being one of the largest producers of mobile telephones in the world.

The Flotation

Global Flex Holdings went public on the Main Board of The Stock Exchange of Hongkong Ltd on September 28, 2005, when it published its Placing and Public Offer Prospectus in order to raise another \$HK235 million even though, in truth, it was in no dire need of this chunk of change.

The Company Offered a total of 312,500,000, 10-cent Shares at a Premium of 92 cents per Share.

Of the total number of Shares on Offer, 250 million Shares were New Shares and 62.50 million Shares were '*Sale Shares*'.

The Sale Shares was those shares, formerly belonging to L.P.P. Holdings Ltd and Micropower Technology Ltd.

L.P.P. Holdings Ltd is a British Virgin Islands company, which is 50 percent beneficially owned by Mr Lin Cheng Hung (林正弘), the Vice Chairman of Global Flex Holdings, and 50 percent beneficially owned by Mr Fang Chang Fa (方長發), the Assistant General Manager of Global Flex Holdings.

As for Micropower Technology Ltd, it is, also, a British Virgin Islands company, owned legally by Mr Chien Wen Guey, according to the Prospectus, but he holds part of the company as a fiduciary of certain employees of Global Flex Holdings.

The Public Offer tranche of 31.25 million Shares was oversubscribed by about 2.08 times, while the 281,250,000 Placing Shares were fully subscribed, a Company announcement claimed on November 8, 2005.

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