



THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

7 February 2007

CENSURE
of
Global Flex Holdings Limited
 (“the Company” and together with its subsidiaries, “the Group”)
and
Mr Lin Cheng Hung, an Executive Director of the Company (“Mr Lin”);
Mr Hsu Chung, an Executive Director of the Company (“Mr Hsu”);
Mr Huang Lien Tsung, an Executive Director of the Company (“Mr Huang”).

The Exchange hereby publicly censures the Company for a breach of Rule 13.09 of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Exchange hereby publicly censures each of Mr Lin, Mr Hsu and Mr Huang for his breach of Director’s Undertaking by failing to use his best endeavours to ensure the Company complied with its disclosure obligations.

Facts

- (i) In or around mid-November 2005 the Company completed its management accounts for October 2005 and became aware of the fact that a delay in the receipt of certain purchase orders and the shortage of certain key components in relation to one of its key customers, Motorola Group, would adversely impact on the Group’s turnover and profit for the year 2005.
- (ii) At the end of November 2005, the Company informed Goldbond Capital (Asia) Limited (“Goldbond”, the Company’s compliance adviser) of the expected deterioration of annual results.
- (iii) On 29 November 2005 Goldbond circulated the first draft of a profit warning announcement to the Company.
- (iv) On 6 December 2005 a board meeting was held to consider the issues such as the timing of, and the information to be included in a profit warning announcement. At the board meeting, attended by all three of the Executive Directors, it was decided that the profit warning announcement should be published at the end of December 2005. However, contrary to the decision made at the board meeting, no profit warning was published.
- (v) At 20:49 hours on 9 January 2006 the Company published the profit warning announcement.

- (vi) On publication of the profit warning the Company's shares experienced significant price and volume fluctuations:
 - (a) on the day of the publication of the profit warning in the newspapers, i.e. 10 January 2006, the trading volume of the Company's shares went up by 490 per cent and the closing price on 10 January 2006 fell 13.16 per cent when compared with the previous 10-day average; and
 - (b) on 11 January 2006 there was a further increase of 565 per cent in trading volume and the closing price on that day fell by 16 per cent when compared with the 10-day average up to 9 January 2006.

The Listing Division has pursued an investigation into this matter based on Note 11(ii) to Rule 13.09 which provides that disclosure should be made where *“to the knowledge of the Directors there is such a change in the issuer's financial condition or in the performance of its business or in the issuer's expectation of its performance that knowledge of the change is likely to lead to substantial movement in the price of its listed securities.”*

As a result, the Company agreed not to contest the Exchange's allegation that the Company had breached Rule 13.09 of the Listing Rules in failing to publish a profit warning as soon as it became aware of the change in the Company's financial condition.

The Directors

Each of Mr Lin, Mr Hsu and Mr Huang has:

- (a) failed to use his best endeavours to create and/or maintain adequate internal controls to procure the Company's compliance with Rule 13.09 as set out above;
- (b) failed to act to the best of his ability or use his best endeavours to procure the Company's compliance with the listing rules in acting on the advice of its compliance adviser in a timely manner thus contributing to the commission of the breach by the Company of Rule 13.09 as set out above; and
- (c) failed to take adequate and timely remedial action.

Mr Lin, Mr Hsu and Mr Huang have agreed not to contest the Exchange's allegation that each of them had breached his Director's Undertaking in that they failed to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules.

Accordingly, the Exchange hereby publicly censures the Company for breaching Rule 13.09 of the Listing Rules.

The Exchange hereby publicly censures each of Mr Lin, Mr Hsu and Mr Huang for his breach of Director's Undertaking in failing to use his best endeavours to procure the Company's compliance with its disclosure obligations under the Listing Rules.

Richard Williams, Head of Listing, said, “This decision of the Committee in this case has two important regulatory messages of particular resonance as we enter the reporting season.

First, the continuing disclosure obligations of listed issuers found in rule 13.09 and the notes thereto are clear. This case gives me the opportunity to comment on the interpretation and practical implications of note 11(ii) which in summary provides that where the directors of a listed issuer become aware of a change in the financial condition of the issuer the obligation is to inform the Exchange and shareholders without delay. This obligation exists where the change is positive or negative. In this case, although the directors of the issuer were aware of a serious deterioration in the financial performance of the Company in mid-November 2005, and a decision was taken on 6 December 2005 to make a profit warning announcement, that decision was not executed despite clear guidance and pressure from their compliance advisers, and the market informed until 9 January 2006. In this case, the Board of Directors as a whole reached an incorrect conclusion on the application of the Listing Rule in the first instance. That error was then exacerbated by the conduct of the Executive Directors subsequent to the Board meeting in failing to execute the Board's flawed decision. Such a delay is inconsistent with the objective of the rule which is geared towards the provision of timely financial information for shareholders and investors upon which investment decisions can be made. Delays will not be tolerated and will give rise to disciplinary action.

The directors of listed issuers are also encouraged to consider the guidance provided by the Exchange as to our expectations in this regard to be found in "The Guide on Disclosure of Price-sensitive Information". This publication states clearly the guiding principles as to when price-sensitive information should be disclosed: "Information which is expected to be price-sensitive should be announced promptly after it becomes known to a director or senior management of the issuer. "Promptly" means as soon as reasonably practicable after the senior management of the issuer learns that the information is both material and non-public." The Guide is available on the Exchange's web-site in both English and Chinese.

Second, I would remind issuers and their management of the principles articulated in the announcement made by the Exchange on 11 September of last year. The Exchange's announcement made after the facts giving rise to this disciplinary action occurred, made the point, that *"The need to take due care prior to releasing price sensitive information does not absolve a listed issuer of responsibility to announce such information as soon as reasonably practicable. The period of time which it is reasonable for a listed issuer to take in making an announcement under the Listing Rules regarding a change in its expectations which is viewed as price sensitive will depend upon all the circumstances relevant to the particular situation in which the change occurs. However, save in exceptional circumstances, a listed company issuer must prioritise its disclosure obligations under the Listing Rules."* Accuracy and completeness are very important but achieving that goal should not be used as a reason to delay the delivery of important financial information to shareholders and the market.

This decision is confined to our regulatory response to the issuers compliance with the continuing disclosure obligations subsequent to the Company's initial listing. In the event that further regulatory concerns should emerge from the wider circumstances surrounding this case, this decision will not preclude the Exchange or the Securities and Futures Commission from taking further appropriate action."