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LINFAIR HOLDINGS LIMITED
福茂控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 462)

**CONNECTED TRANSACTION -
PROVISION OF FINANCIAL ASSISTANCE,
CHANGE OF DIRECTORS,
RESIGNATION OF THE CHAIRMAN,
RESTRICTION OF FUNCTIONS OF A DIRECTOR
AND
CHANGE OF COMPANY SECRETARY AND QUALIFIED ACCOUNTANT**

Connected transaction

The Group made the Advances to LTL and Ms. Hsieh over the past three financial years ended 31 March 2005, 2006 and 2007 as described below. The Advances were fully repaid by 31 March 2007, and LTL and Ms. Hsieh have paid a fee of HK\$219,697 to the Group in respect of the provision of the Advances. When made, the Advances were unsecured and interest-free with no fixed term of repayment.

The Advances constituted financial assistance to connected persons under the Listing Rules. Pursuant to Rule 14A.63, the Advances should have been subject to the reporting, announcement and Independent Shareholders' approval as the Advances were not provided on normal commercial terms when made. The Company has breached these requirements. The Stock Exchange reserves the right to take appropriate action against the Company in respect of such breach.

In order to avoid any future breach of the Listing Rules, the Board will monitor the situation closely, and will also consult professional advisers and take appropriate actions promptly as required by the Listing Rules should there be any advances contemplated to connected persons in the future.

The Board has adopted the following measures to strengthen and enhance the levels of corporate governance within the Group:

- (a) The Board has appointed Ms. Katherine Chan Wai Kay as the chief executive officer of the Company with effect from 28 September 2007, details of which appointment are set out in the announcement of the Company dated 8 October 2007;

- (b) The Board has accepted Mr. Chang's request to restrict himself from all financial related functions of the Group with immediate effect; and
- (c) In addition to appointing Alvarez & Marsal Asia Limited, an independent professional advisory firm, to investigate the matters raised by the auditors as set out in the announcement of the Company dated 13 August 2007, the Company has engaged Alvarez & Marsal Asia Limited to conduct a corporate governance assessment of the Group's practices.

Following the appointment of Ms. Chan as the chief executive officer of the Company, the restriction of Mr. Chang's financial related functions, and certain measures to be adopted and implemented after the review by Alvarez & Marsal Asia Limited, the Board considers that there will be a substantial improvement in the levels of corporate governance within the Group.

Resignation of directors

Ms. Hsieh is resigning as an executive Director with effect from the date of this announcement.

Ms. Tung Pui Man tendered her resignation as an independent non-executive Director taking effect early September 2007. In view of the delay in publication of the final results of the Group for the year ended 31 March 2007, she has agreed to extend her directorship up to the next day following publication of the final results of the Group for the year ended 31 March 2007 or 31 December 2007, whichever is the earlier.

Resignation of the Chairman and restriction of functions of a director

Mr. Chang is stepping down from the position of chairman of the Board with effect from the date of this announcement but remains an executive Director. Mr. Chang also requests to be restricted from all financial related functions of the Group with immediate effect. The Board accepts such request and shall segregate and re-assign such functions among appropriate executives of the Group.

Change of company secretary and qualified accountant

Mr. Wong Yiu Hung is resigning as the company secretary, the chief financial officer and the qualified accountant of the Company with effect from 8 October 2007. The Company has retained Mr. Wong on part time basis to assist the Company to finalise the 2007 annual results.

Mr. Navin K. Aggarwal has been appointed as the company secretary of the Company in place of Mr. Wong with effect from 8 October 2007. The Board has appointed Mr. Lok Shing Kwan as the chief financial officer and qualified accountant of the Company to fill these vacancies with effect from 8 October 2007.

Trading suspension

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 31 July 2007 and will remain suspended until the Company publishes its final results for the year ended 31 March 2007.

CONNECTED TRANSACTION

During the preparation of financial statements of the Group for the year ended 31 March 2007, the then chief financial officer, Mr. Wong Yiu Hung, picked up certain fund transfers between LTL and the Group during the financial year. After further review, it became aware that the Group made the Advances to LTL and Ms. Hsieh over the past three financial years ended 31 March 2005, 2006 and 2007 to meet their temporary financial needs. When made, the Advances were unsecured and interest-free with no fixed term of repayment.

Set forth below is a summary of the Advances outstanding during the period:

	2005 <i>HK\$ million</i> <i>(Approximately)</i>	2006 <i>HK\$ million</i> <i>(Approximately)</i>	2007 <i>HK\$ million</i> <i>(Approximately)</i>
Outstanding amount of the Advances to LTL and Ms. Hsieh as at 31 March	0.014	–	–
Maximum outstanding amount of the Advances to LTL and Ms. Hsieh during the financial year ended 31 March	4.7	8.5	2.9

The Advances to LTL and Ms. Hsieh were all fully repaid on or before 31 March 2007. There are no outstanding Advances due from LTL and Ms. Hsieh as at the date of this announcement.

The Group is principally engaged in the provision of engineering systems contracting and supporting services and sale of related spare parts and consumables. LTL is principally engaged in provision of shipment services.

Both LTL and Ms. Hsieh were connected persons of the Company under the Listing Rules at the time of making the Advances. The Advances constituted financial assistance to connected persons under the Listing Rules. Pursuant to Rule 14A.63, the Advances should have been subject to the reporting, announcement and Independent Shareholders' approval as the Advances were not provided on normal commercial terms when made. The Company has breached these requirements. The Stock Exchange reserves the right to take appropriate action against the Company in respect of such breach.

In September 2007, LTL and Ms. Hsieh agreed to pay a fee of HK\$219,697 to the Group in respect of the provision of the Advances during the past three financial years ended 31 March 2005, 2006 and 2007. Such fee has been received by the Group and was calculated based on a rate, being the highest borrowing costs of the Group in that year (2005: 4.50% per annum; 2006: 7.25% per annum; and 2007: 6.52% per annum) plus 1% per annum. Taking account of the fee from LTL and Ms. Hsieh, the Directors (including the independent non-executive Directors) consider that the terms of the Advances including the fee income are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In order to avoid any future breach of the Listing Rules, the Board will monitor the situation closely, and will also consult professional advisers and take appropriate actions promptly as required by the Listing Rules should there be any advances contemplated to connected persons in the future.

The Board has also adopted the following measures to strengthen and enhance the levels of corporate governance within the Group:

- (a) The Board has appointed Ms. Katherine Chan Wai Kay as the chief executive officer of the Company with effect from 28 September 2007, details of which appointment are set out in the announcement of the Company dated 8 October 2007;
- (b) The Board has accepted Mr. Chang's request to restrict himself from all financial related functions of the Group with immediate effect; and
- (c) In addition to appointing Alvarez & Marsal Asia Limited, an independent professional advisory firm, to investigate the matters raised by the auditors as set out in the announcement of the Company dated 13 August 2007, the Company has engaged Alvarez & Marsal Asia Limited to conduct a corporate governance assessment of the Group's practices. Further announcement will be made by the Company in this regard to inform the Shareholders the major findings of Alvarez & Marsal Asia Limited and the measures adopted by the Board to address these major findings.

Following the appointment of Ms. Chan as the chief executive officer of the Company, the restriction of Mr. Chang's financial related functions, and certain measures to be adopted and implemented after the review by Alvarez & Marsal Asia Limited, the Board considers that there will be a substantial improvement in the levels of corporate governance within the Group.

RESIGNATION OF DIRECTORS

Ms. Hsieh is resigning as an executive Director with effect from the date of this announcement because she would like to spend more time to look after her family.

Ms. Tung Pui Man tendered her resignation as an independent non-executive Director taking effect early September 2007 because she would like to devote more time to her other business commitments. In view of the delay in publication of the final results of the Group for the year ended 31 March 2007, she has agreed to extend her directorship up to the next day following publication of the final results of the Group for the year ended 31 March 2007 or 31 December 2007, whichever is the earlier.

Each of Ms. Hsieh and Ms. Tung has confirmed that there is no disagreement between the Board and her and there is no matter relating to her resignation that needs to be brought to the attention of the Shareholders.

Following the resignation of Ms. Tung, the Company will have only two independent non-executive Directors and the audit committee of the Company will comprise only two members, which will fall below the minimum number as required under Rule 3.10 and Rule 3.21 of the Listing Rules respectively. In order to meet the requirements under the Listing Rules, the Company will appoint an additional independent non-executive Director who will also be appointed as an additional member of the audit committee. Further announcement will be made by the Company when the additional independent non-executive Director has been appointed.

The Board would like to express its sincere gratitude to Ms. Hsieh and Ms. Tung for their contribution to the Group during their tenure of directorship.

RESIGNATION OF THE CHAIRMAN AND RESTRICTION OF FUNCTIONS OF A DIRECTOR

Mr. Chang is stepping down from the position of chairman of the Board with effect from the date of this announcement but remains an executive Director. Mr. Chang also requests to be restricted from all financial related functions of the Group with immediate effect. The Board accepts such request and shall segregate and re-assign such functions among appropriate executives of the Group.

CHANGE OF COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Wong Yiu Hung is resigning as the company secretary, the chief financial officer and the qualified accountant of the Company with effect from 8 October 2007. The Company has retained Mr. Wong on part time basis to assist the Company to finalise the 2007 annual results.

Mr. Navin K. Aggarwal has been appointed as the secretary of the Company in place of Mr. Wong with effect from 8 October 2007. Mr. Aggarwal is a solicitor practicing in Hong Kong and holds a bachelor degree in law and is a member of the Law Society of Hong Kong.

The Board has appointed Mr. Lok Shing Kwan as the chief financial officer and qualified accountant of the Company to fill these vacancies with effect from 8 October 2007. Mr. Lok has over 17 years' experience in financial reporting, internal control and overall administration of corporate affairs and more than 12 years' experience in the accounting field in both of Hong Kong and mainland China. Mr. Lok is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Lok will be mainly responsible for financial reporting, corporate governance and compliance of the Group.

TRADING SUSPENSION

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 31 July 2007 and will remain suspended until the Company publishes its final results for the year ended 31 March 2007.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Advance(s)” advances made by the Group to LTL and Ms. Hsieh

“Board”	board of the Directors
“Company”	Linfair Holdings Limited, a company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than Ms. Hsieh and her associates (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LTL”	Linfair Technology Limited, a company incorporated in Hong Kong and is owned as to 90% by Ms. Hsieh and 10% by Mr. Kao Chih-wei, cousin of Ms. Hsieh
“Mr. Chang”	Mr. Chang Ei Eu, the executive Director and the husband of Ms. Hsieh
“Ms. Hsieh”	Ms. Hsieh Ming Chiu, a former executive Director and the wife of Mr. Chang, an executive Director
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board
Linfair Holdings Limited
Navin K. Aggarwal
Company Secretary

Hong Kong, 16 October 2007

As at the date of this announcement, the Board comprises three executive Directors, being Ms. Katherine Chan Wai Kay, Mr. Chang Ei Eu and Ms. Zuo Lihua, two non-executive Directors, being Mr. He Changming and Mr. Chow Kin Ming, and three independent non-executive Directors, being Mr. Lee Kin Keung, Dr. Lam Chun Kong and Ms. Tung Pui Man.