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LINF AIR HOLDINGS LIMITED

福茂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 462)

CHANGE OF AUDITORS

Change of Auditors

The Board announces that the Auditors tendered its resignation on 13 December 2007 as auditors of the Group.

The Board is in the course of identifying suitable auditors to fill the vacancy but as at the date hereof, no suitable auditors have been identified. Further announcement will be made in relation to the appointment of new auditors, the expected date of announcement of the Annual Results and the despatch date of the annual report for the year ended 31 March 2007.

Trading suspension

Trading in the shares of the Company has been suspended from 9:30 a.m. on 31 July 2007 and will remain suspended pending the release of the Annual Results.

The Board announces that the Auditors tendered its resignation as auditors of the Group on 13 December 2007.

The Auditors took the view that (1) a number of questions raised in their letter to the Audit Committee dated 6 August 2007 remain unanswered, (2) the Board seemed not to be taking the existing investigation findings to their logical conclusion including (a) assessing whether the assets of the Group had been misappropriated (b) assessing whether the Group had been involved in illegal acts and (c) considering the effects on the 2007 financial statements, (3) the Auditors would expect that the Board and the Audit Committee would not leave such questions open but would instead extend Alvarez & Marsal's investigation so that firm conclusions could be drawn and the necessary actions taken, (4) With material matters left open, in the opinion of the Auditors, the Board and the Audit Committee did not currently have a proper basis for concluding that the financial statements were free from material misstatement.

In light of the above and with reference to Hong Kong Standard on Auditing 240 “The auditor’s responsibility to consider fraud in an audit of financial statements” issued by the Hong Kong Institute of Certified Public Accountants, the Auditors have concluded that they were unable to complete their audit of the financial statements of the Group for the year ended 31 March 2007 and hence their resignation.

In its resignation letter, the Auditors said that apart from the matters mentioned in the second and third paragraphs above and in their letters dated 6 August, 12 and 21 November and 4 December 2007, they confirmed that there were no other circumstances connected with their resignation that they considered ought to be brought to the attention of the members or creditors of the Group.

On 6 August 2007, the Auditors wrote a letter to the Audit Committee informing the Audit Committee that in the purchase of Machinery, the payment terms as set out in the original contract provided to the Auditors were different from those in the copy of the contract previously provided to the Auditors and requesting it to appoint an independent forensic investigation firm in the context of its professional responsibilities under Hong Kong Standard on Auditing 240 “The auditor’s responsibility to consider fraud in an audit of financial statements.”. The letter also stated the questions raised by the Auditors.

In their letter dated 12 November 2007 to the Audit Committee, the Auditors said, among other things, they had reviewed the Forensic Investigation Report and said that as far as they were concerned, a number of questions raised in their letter to the Audit Committee dated 6 August 2007 remain unanswered. The Auditors were unable to conclude that the investigation was completed to their satisfaction. A summary of deficiencies on the Forensic Investigation Report was set out in the appendix to the letter for the further actions of the Audit Committee. The questions raised by the Auditors were replied by a letter dated 20 November 2007 from Alvarez & Marsal.

In their letter dated 21 November 2007 to the Audit Committee, the Auditors said, among other things, they noted that in the final paragraph of the letter from Alvarez & Marsal “...on the evidence made available..... a conclusion cannot be drawn that Linfair... did perpetrate a fraud on the Purchaser or a third party in relation to the Transaction.”. The Auditors further said the Audit Committee might like to consider the following, (a) the Board and the Audit Committee were responsible for safeguarding the assets of the Group. In discharging this responsibility the Board and the Audit Committee would not want to leave open questions as to whether the Group had been involved in any fraudulent transactions in connection with which assets of the Group might have been misappropriated. If there had been a misappropriation of assets, the Board and the Audit Committee would want to ensure that action was taken so far as was practicable to recover such assets and to take again against the wrongdoers. (b) In the context of the finalisation of the financial statements the responsibility of the Board and the Audit committee was to conclude whether there was any material misstatement in the financial statements resulting from fraud which required adjustment to be made to the financial statements. (c) Alvarez & Marsal indicated that the investigation work conducted to date was not sufficient to enable a conclusion to be reached. At the same time, the Auditors would reiterate that a number of questions raised in their letter to the Audit committee dated 6 August 2007 remain unanswered such that the Auditors were unable to

conclude that the investigation had been completed to their satisfaction. For the reasons set out above, it was the Auditors' expectation that the Board and the Audit Committee would want to complete the investigation both in the interests of the Company's good governance and in order to have a reliable basis for finalising the financial statements.

In their letter dated 4 December 2007 to the Board, the Auditors said, among other things, the matters stated in the second paragraph of this announcement and that they were not satisfied with the completeness of the investigation and rebutting the contentions mentioned in a letter dated 22 November 2007 from the Board.

The Board is in the course of identifying suitable auditors to fill the vacancy but as at the date hereof, no suitable auditors have been identified. Further announcement will be made in relation to the appointment of new auditors, the expected date of announcement of the Annual Results and the despatch date of the annual report for the year ended 31 March 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 until further notice.

DEFINITION

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

“Alvarez & Marsal”	Alvarez & Marsal Asia Limited, an independent forensic investigation firm appointed by the Company to prepare the Forensic Investigation Report
“Annual Results”	audited annual results of the Group for the year ended 31 March 2007
“Audit Committee”	the audit committee of the Company
“Auditors”	Deloitte Touche Tohmatsu, the ex-auditors of the Group
“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 of Hong Kong Limited
“Forensic Investigation Report”	the report dated 29 October 2007 prepared by Alvarez & Marsal
“Group”	the Company and its subsidiaries
“Linfair Engineering”	Linfair Engineering Company Limited, a wholly owned subsidiary of the Company

“Machinery”	3 production lines sold by Linfair Engineering to the Purchaser by sales contract dated 15 August 2005
“Purchaser”	purchaser of the Machinery
“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)
“Transaction”	(1) sales contract dated 15 August 2005 made between Linfair Engineering and the Purchaser (2) purchase contract dated 15 January 2006 made between Linfair Engineering and the Vendor
“Vendor”	vendor of the Machinery

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

Hong Kong, 19 December 2007

As at the date of this announcement, the Board comprises two executive Directors, being Ms. Katherine Chan Wai Kay 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.