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LINFAIR

**LINFAIR HOLDINGS LIMITED**

**福茂控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 462)

**SUPPLEMENTAL ANNOUNCEMENT RELATED TO  
CHANGE OF AUDITORS**

**Change of Auditors**

The Board announced on 19 December 2007 the Auditors tendered their resignation on 13 December 2007 as auditors of the Group. The Board announces further information mentioned in the letters dated 6 August 2007 and 4 December 2007 from the Auditors.

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 announced on 19 December 2007 the Auditors tendered their resignation on 13 December 2007 as auditors of the Group. The Board announces further information mentioned in the letters dated 6 August 2007 and 4 December 2007 from the Auditors.

On 26 July 2007, the Auditors sent a letter to the Audit Committee requesting it to investigate certain issues (“Issues”) relating to purchase of Machinery at the price of US\$12,698,000 from the Vendor and sale of the Machinery at the price of US\$13,500,000 to the Purchaser.

On 30 July 2007, the Auditors sent another letter to the Audit Committee suggesting it to arrange for an independent investigation by an independent firm into the matters raised in the 2 letters from the Auditors. On 13 August 2007, the Company announced that the Board had decided to appoint an independent forensic investigation firm to prepare a forensic investigation report. The Forensic Investigation Report was prepared by Alvarez & Marsal and completed on 29 October 2007 as mentioned in the Company’s announcement dated 21 November 2007.

In the letter dated 6 August 2007 to the Audit Committee, the Auditors said they brought the matters stated in the letter to the attention of the Audit Committee in the context of the Audit Committee’s responsibilities to oversee the Group’s financial reporting and the internal control processes and also in the context of the Auditors’ professional responsibilities under Hong Kong Standard on Auditing 240.

In the letter dated 4 December 2007 to the Board, the Auditors took one example to show the investigation had not yet established how it was that the Group apparently came to pay almost 4 times the price of equivalent new production lines to purchase the second hand Machinery that were ultimately sold to the Purchaser. As announced in the Company’s announcement dated 13 August 2007, such Machinery were purchased at the price of US\$12.698 million but sold for US\$13.5 million, though about US\$1.93 million of the purchase price has not been collected. The Auditors were of the opinion that without an extension of investigation scope, including the above example into the reasonableness of the price of the Group paid for the said second hand Machinery, the Board and the Audit Committee lacked a proper basis for concluding on this matter. The Auditors also stated that they did not understand the basis upon which a position had been reached. The position referred by the Auditors being that: “As for the adjusting financial statements resulting from fraud, given the comment of Alvarez & Marsal ..... there is no room for such adjustment.”

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
“Purchase Contract”	contract dated 15 January 2006 made between Linfair Engineering and the Vendor
“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, 8 January 2008

*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.*