



## **THE STOCK EXCHANGE OF HONG KONG LIMITED**

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)  
(the “Exchange”)

29 October 2007

**The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) censures the following parties for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange Listing Rules”):**

- 1. Linfair Holdings Limited (the “Company”) (Stock code: 462);**
- 2. Mr Chang Ei Eu, an executive director of the Company (“Mr Chang”);**
- 3. Ms Hsieh Ming Chiu, an executive director of the Company (“Ms Hsieh”), resigned effective 16 October 2007; and**
- 4. Mr Chow Kin Ming, re-designated from an executive director to a non-executive director of the Company with effect from 1 April 2007 (“Mr Chow”).**

On 11 September 2007, the Listing Committee conducted a hearing into the conduct of the Company, Mr Chang, Ms Hsieh, and Mr Chow (collectively, the “Relevant Directors”) in relation to the obligations under Rule 13.09 of the Exchange Listing Rules and the Declaration and Undertaking with regard to Directors given by each of the Relevant Directors to the Exchange in the form set out in Appendix 5B to the Exchange Listing Rules (the “Director’s Undertaking”).

### **Facts**

The Listing Division alleged that the Company’s failure to issue a profit warning in respect of its financial performance for the six months ended 30 September 2005 (the “Relevant Period”) by 17 November 2005 constituted a breach of Rule 13.09 of the Exchange Listing Rules.

Rule 13.09 imposes an obligation on issuers to keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group: (i) which is necessary to enable them and the public to appraise the position of the group; (ii) which is necessary to avoid the establishment of a false market in its securities; and (iii) which might be reasonably expected materially to affect market activity in and the price of its securities. Further, the obligation must be discharged without delay 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.

On or about 17 November 2005, the Company's revised draft management accounts for the Relevant Period were made available to the Relevant Directors and the Company's external auditors. The Relevant Directors therefore knew, at least by 17 November 2005, that the Company's financial performance for the Relevant Period was substantially worse than that of the corresponding period for the year 2004 and was not in line with the directors' optimistic outlook of the prospects of the Company as set out in the Company's prospectus dated 27 May 2005 and the Company's annual report for the financial year ended 31 March 2005. However, no profit warning was issued.

The Company announced its unaudited financial results for the Relevant Period after trading hours on 20 December 2005. The results showed a decrease in turnover of about 72.3 per cent and a net loss of HK\$20.6 million as compared to a net profit of HK\$29.5 million for the corresponding period in 2004. The information regarding the significant downturn in the Company's performance of its business led to substantial price and volume movements of the Company's shares on 21 December 2005.

### **Decision**

The Listing Committee concluded that:

1. the Company breached Rule 13.09 of the Exchange Listing Rules; and
2. each of the Relevant Directors breached their respective Director's Undertakings in causing or failing to prevent the Company's breach of the Exchange Listing Rules.

The Listing Committee decided to impose a public censure on the Company and each of the Relevant Directors for their respective breaches mentioned above.

Richard Williams, Head of Listing, said, "The decision in this case to impose a public sanction on the Company and the executive directors in office at the material time echoes the message which I have made in another case concluded earlier this year. Directors of listed issuers are under an obligation under rule 13.09 to inform the Exchange and its shareholders without delay where they become aware of a change in the financial condition of the issuer. This is to ensure that investment decisions are made on an informed basis, and to avoid the risk of the creation of a false market, which in turn contributes towards maintaining a fair and orderly market for the trading of securities.

In this case, the Company and its executive directors at the material time were aware of the substantial deterioration in the financial performance of the Company which, according to the Company, was due to the downturn in economy, as early as September 2005. However, the Company took no action to disclose the matter to the Exchange and the investing public, and even when they were in receipt of the unaudited financial data which formed the basis of the Company's interim results for the period ended 30 September 2005, on 17 November 2005. This failure of the executive directors at the material time was exacerbated by their failure to consult the Company's compliance adviser on the action to take in the circumstances, and no consultation was made until very shortly prior to announcement of its interim results. These delays and failings, which led to the deprivation of important financial information concerning the Company to the investing public, will not be tolerated and the Exchange will not hesitate to take disciplinary action in such circumstances.

I would encourage all directors of listed issuers to consider the guidance provided by the Exchange in the publication *The Guide on Disclosure of Price-sensitive Information* (the “Guide”). 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 director or senior management of the issuer becomes aware of information that is likely to be material and is non-public. This obligation exists irrespective of whether the change in financial condition is a positive or negative development. It is further stated in the Guide that where an issuer becomes aware that its results may be significantly worse than generally accepted market expectations, the issuer should publish an announcement “warning” investors of the likely impact.

Another point which I would like to stress is that, whilst accuracy and completeness of disclosure of information in announcements is of utmost importance, achieving that goal should not be used as an excuse for delay in the delivery of information to shareholders and the market. Listed issuers and their management should refer to the principles in this regard as set out in the Exchange’s announcement issued on 11 September of last year.”