

**LINFAIR HOLDINGS LTD:
IT'S A ONE-MAN SHOW, NO MATTER HOW ONE SINGS THE SONGS**

Even though newly listed Linfair Holdings Ltd (Code: 462, Main Board, The Stock Exchange of Hongkong Ltd) had forecast a record-setting Net Profit Attributable to Shareholders for its Financial Year, ended March 31, 2005, it received a very cool reception when it launched its Initial Public Offering (IPO) in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

There was a number of very good reasons for the IPO's lukewarm, public reception, with, probably, the main reason, being that, in reality, this is, completely, a one-man show: He produces the show; plays his fiddle; sings all of the songs; and, collects the cash at the door.

And the one man, who produces and directs the show, is the Chairman, Mr Chang Ei Eu, a Taiwanese businessman, who is the leader of the triumvirate that orchestrates the show and produces the choreography—literally, a show, as will become apparent later on in this financial analysis.

The other 2 Executive Directors of Linfair are his wife, Madame Hsieh Ming Chiu, also a Taiwanese, and Mr Chow Kin Ming, who is said to be a Chinese gentleman.

Mr Chow Kin Ming is the Chief Financial Officer and is a qualified accountant: He is not thought to be part of Chairman Chang Ei Eu's Family.

In reality, therefore, Chairman Chang Ei Eu directs the show, completely, his wife, only dressing up the Board of Directors, while Mr Chow Kin Ming merely follows orders of his Chairman.

Thus is the objectivity of the Board of Directors of this publicly listed company.

In addition, under the heading of '*Senior Management*', found at Page 81 of the Placing Prospectus, it is noted that Mr Kao Chih Cheng, aged 44 years, is Vice President of the Group.

However, this Vice President is not an Executive Director.

Mr Kao Chih Cheng is said to be a cousin of Madame Hsieh Ming Chiu.

Which makes for a very cosy situation, of course, but, at the same time, this management structure is indicative of senior management finding it difficult if not impossible to delegate responsibility, easily, if at all.

Hence, any enlargement of the structure of the Company is very limited.

The IPO

On May 27, 2005, Linfair launched a Placing and Public Offer of 75 million, 10-cent Shares at a Premium of between 87 cents per Share and \$HK1.05 per Share.

When the applications forms were counted and the number of shares tallied, it was discovered that there had been a total of 256 valid applications for the Public Offer tranche.

The number of Shares, having been applied for under the Public Offer tranche, was 11,248,000, that number of Shares, being about 1.50 times, the total number on Offer.

As for the Placing Shares, one was told, only, that they had been fully subscribed, all 67.50 million Shares.

Somerley Ltd, a Joint Sponsor to the flotation, subscribed to 628,000 Shares.

The Offer Price was at the lowest end of the scale: 88 cents per Share.

Linfair, therefore, walked over to its Principal Bankers – Shanghai Commercial Bank, DBS Bank (Hongkong) Ltd, and The Hongkong and Shanghai Banking Corporation Ltd – with about \$HK50 million in cash.

The IPO was pitched, one is told at Page 124 of the Prospectus, for the following reasons:

1. \$HK25 million to be used for forming business alliances;
2. \$HK2 million to be used for capital expansion of subsidiaries in Beijing, Shenzhen, Malaysia or Singapore and forming new subsidiaries in other climes;
3. \$HK4 million to be used for acquiring a new office in the HKSAR and/or overseas;
4. \$HK1 million to be used to establish a communications network;
5. \$HK15 million to be used to retire some debt;
6. \$HK6 million to be used to purchase some new equipment; and,
7. \$HK4 million to be used as General Working Capital.

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