

1. COMPANY'S BACKGROUND

The Company was incorporated in the Cayman Islands on 8th October, 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company is incorporated for the purpose of acting as an investment holding company. Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") as described more fully in note 10, the Company became the holding company of Excellent Overseas Limited ("Excellent Overseas") and its subsidiaries on 18th May, 2005. The shares of the Company were subsequently listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 10th June, 2005.

2. POTENTIAL IMPACTS ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Company has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

The Company is assessing the potential impacts of these new HKFRSs on its accounting policies and related financial impacts. Based on its assessment to date, the Company has identified certain HKFRSs which may have possible impacts on the Company's accounting policies as follows:

1. 公司背景

本公司於二零零二年十月八日根據開曼群島公司法在開曼群島註冊成立為一間獲豁免有限公司。

本公司註冊成立目的為充當一間投資控股公司。根據附註10更詳盡描述為合理化本公司及其附屬公司(以下統稱「本集團」)架構而進行的集團重組(「重組」)，本公司於二零零五年五月十八日成為Excellent Overseas Limited (「Excellent Overseas」) 及其附屬公司的控股公司。本公司股份其後自二零零五年六月十日起在香港聯合交易所有限公司(「聯交所」)主板上市。

2. 近期頒佈的會計準則所造成的潛在影響

香港會計師公會於二零零四年頒佈多項全新或經修訂的香港會計準則及香港財務報告準則(以下統稱「全新香港財務報告準則」)，全新香港財務報告準則於二零零五年一月一日或之後起的會計期間生效。本集團並無在截至二零零五年三月三十一日止年度的財務報表內提早採納該等全新香港財務報告準則。

本公司正就該等全新香港財務報告準則對本公司會計政策所造成的潛在影響以及相關財務影響展開評估。根據至今的評估，本公司已初步確認若干對本公司的會計政策可能會有影響的香港財務報告準則如下：

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福茂控股有限公司**2. POTENTIAL IMPACTS ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS***(continued)*

HKFRS2 in respect of share-based payments – “Share-based Payment” requires a fair value based method for accounting for share-based compensation plans which takes into account vesting conditions related to market performance. Under this method, compensation cost is measured at date of granted based on the value of the award and is recognised over the service period, which is usually the vesting period. The Company is required to recognise compensation cost in respect of the share option granted after 7th November, 2002 and had not yet vested at the accounting period beginning on or after 1st January, 2005. This HKFRS2 will become effective and will be adopted by the Company during the financial year ending 31st March, 2006.

The Company will continue to review and will account for the full impact of the new HKFRSs on the Company's financial statements for the year ending 31st March, 2006.

3. SIGNIFICANT ACCOUNTING POLICY

The financial information have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong including applicable HKFRSs issued by the HKICPA. The principal accounting policy adopted is set out below:

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

2. 近期頒佈的會計準則所造成的潛在影響 (續)

與股份支付有關的香港財務報告準則第2號－「股份支付」規定按股本結算以股份償付的計劃須計及有關市場表現的歸屬條件，以公平值為基準作會計處理。根據該會計處理法，補償成本以授出日期的購股權價值計算，並於有關服務期間（一般為歸屬期）確認。本公司須就於二零零二年十一月七日以後授出並於二零零五年一月一日或其後開始的會計期間尚未歸屬的購股權確認補償成本。該香港財務報告準則第2號將於截至二零零六年三月三十一日止財政年度生效，本公司屆時將會採納香港財務報告準則第2號。

本公司將繼續評估並將於屆時處理新香港財務報告準則對本公司截至二零零六年三月三十一日止年度財務報表的全部影響。

3. 主要會計政策

財務資料乃以歷史成本法並按照香港公認會計原則（包括香港會計師公會頒佈的適用香港財務報告準則）編製。所採納的主要會計政策載列如下：

稅項

稅項是指現時應繳稅項及遞延稅項兩者的總和。

現時應繳稅項乃按年內應課稅溢利計算。應課稅溢利不包括其他年度的應課稅或可扣稅的收支項目，且不包括從未課稅或可扣稅的損益表項目，因此有別於損益表中呈報的純利。

3. SIGNIFICANT ACCOUNTING POLICY (continued)**Taxation (continued)**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

Auditors' remuneration
Directors' remuneration

經營虧損已扣除：

核數師酬金
董事酬金

The auditors' remuneration is borne by a related company in which Mr. Chang Ei Eu ("Mr. Chang") and Ms. Hsieh Ming Chiu ("Ms. Hsieh"), Directors and shareholders, have beneficial interests.

3. 主要會計政策 (續)**稅項 (續)**

遞延稅項乃指財務報表中資產及負債的帳面值與計算應課稅溢利時所採用的相應稅基之間的差額中，預計須繳納或可收回的稅項，並採用資產負債表負債法入帳。遞延稅項負債通常為所有應課稅的暫時差額確認，而遞延稅項資產指在未來很可能會獲得應課稅溢利而又可使用應扣除暫時差額。倘該暫時差額源自商譽（或負商譽），或源自不影響稅務及會計溢利的交易中其他資產及負債的首次確認（除業務合併外），則該等資產及負債不予確認。

遞延稅項資產的帳面值會於各結算日進行審閱及扣減，直至未來不可能有足夠的應課稅溢利令有關資產得以全部或部份回收。

遞延稅項按於償還負債或變現資產期間預計適用的稅率計算。遞延稅項於損益表內扣除或入帳，惟倘遞延稅項與直接扣自或計入股本的項目相關時，則該遞延稅項亦以股本處理。

4. 經營虧損

| 2005 | 2004 |
|----------|----------|
| 二零零五年 | 二零零四年 |
| HK\$'000 | HK\$'000 |
| 千港元 | 千港元 |

| | |
|---|---|
| — | — |
| — | — |

核數師酬金乃由董事兼股東張翼宇先生（「張先生」）及謝明秋女士（「謝女士」）實益擁有的一間關連公司承擔。

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福茂控股有限公司**5. FINANCE COSTS**

Bank charges 銀行費用

5. 融資成本

| 2005 | 2004 |
|----------|----------|
| 二零零五年 | 二零零四年 |
| HK\$'000 | HK\$'000 |
| 千港元 | 千港元 |
| <u>-</u> | <u>1</u> |

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company incurred a tax loss for the both years.

Taxation for the year can be reconciled to the loss before taxation as follows:

6. 稅項

由於本公司於兩個年度內均錄得稅項虧損，故並無於財務報表中計提香港利得稅撥備。

本年度稅項可與除稅前虧損對銷如下：

| | | 2005 | 2004 |
|---|---------------|-------------|-------------|
| | | 二零零五年 | 二零零四年 |
| | | HK\$'000 | HK\$'000 |
| | | 千港元 | 千港元 |
| Loss before taxation | 除稅前虧損 | <u>(27)</u> | <u>(62)</u> |
| Tax at the domestic income tax rate | 按當地所得稅稅率計算的稅項 | (5) | (11) |
| Tax effect of expenses not deductible for tax purpose | 不可扣稅開支的稅務影響 | <u>5</u> | <u>11</u> |
| Taxation for the year | 本年度稅項 | <u>-</u> | <u>-</u> |

7. AMOUNT DUE TO A RELATED COMPANY

The amount is due to a company in which the directors of the Company have beneficial interests. The amount is unsecured, interest-free and has no fixed repayment term.

7. 應付一間關連公司款項

有關款項乃欠負本公司董事實益擁有的一間公司者，為無抵押、免息及無固定還款期。

8. SHARE CAPITAL

8. 股本

| | | 2005 & 2004 二零零五年及 二零零四年 HK\$'000 千港元 |
|--|---------------------------|---|
| Authorised: | 法定： | |
| 3,500,000 ordinary shares of HK\$0.10 each | 3,500,000 股每股面值0.10港元的普通股 | 350 |
| Issued and fully paid: | 已發行及繳足： | |
| 1 ordinary share of HK\$0.10 each | 1股每股面值0.10港元的普通股 | 1 |

9. SHARE OPTION SCHEME

A pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was approved and adopted by the Company on 30th March, 2005. The purpose of the Pre-IPO Share Option Scheme is to provide incentives and rewards to eligible participants who have contributed to the success of the Group's operations.

The maximum number of shares which may be issued under the Pre-IPO Share Option Scheme shall be 15,000,000 shares. The Pre-IPO Share Option Scheme is not subject to any condition precedent and the exercise period shall commence from the day following 6 months after 10th June, 2005 and end on 30th March, 2010 (both days inclusive). Upon acceptance of the pre-IPO share option, each participant shall pay HK\$1 to the Company by way of consideration for the grant.

The exercise price is HK\$0.65 per share and there is no restriction on the number of shares granted under the Pre-IPO Share Option Scheme to any grantee or connected person.

9. 購股權計劃

本公司於二零零五年三月三十日批准及採納一項首次公開發售前購股權計劃（「首次公開發售前購股權計劃」）。設立首次公開發售前購股權計劃旨在激勵及獎勵對本集團營運佳績有貢獻的合資格參與者。

根據首次公開發售前購股權計劃而可能發行的股份最多為15,000,000股。首次公開發售前購股權計劃不受任何先決條件規限，其可行使期將由二零零五年六月十日後六個月之日起至二零一零年三月三十日為止（包括首尾兩天）。接納首次公開發售前購股權後，各參與者須向本公司支付1港元作為獲授購股權之代價。

行使價為每股0.65港元，而任何承授人或關連人士根據首次公開發售前購股權計劃可獲授的股份數目並無限制。

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9. SHARE OPTION SCHEME (continued)

On 30th March, 2005, 15,000,000 pre-IPO share options were granted under the Pre-IPO Share Option Scheme to a Director and employees of the Group for an aggregate consideration of HK\$47. No charge was recognised in the income statement in respect of the value of pre-IPO share options granted.

At 31st March, 2005, all pre-IPO share options granted under the Pre-IPO Share Option Scheme remained outstanding.

The following table discloses details of the Company's pre-IPO share options granted to a Director and employees under the Pre-IPO Share Option Scheme.

9. 購股權計劃(續)

二零零五年三月三十日，已根據首次公開發售前購股權計劃授予本集團一名董事及多名僱員15,000,000份首次公開發售前購股權，總代價為47港元。所授出首次公開發售前購股權的價值並無在損益表中確認費用。

於二零零五年三月三十一日，根據首次公開發售前購股權計劃授出的所有首次公開發售前購股權仍未行使。

下表詳列根據首次公開發售前購股權計劃授予一名董事及多名僱員的本公司首次公開發售前購股權。

| Date of grant | Exercisable period | Exercise price | Number of pre-IPO share options granted during the year and at 31.3.2005 於本年度授出及於二零零五年三月三十一日首次公開發售前購股權數目 |
|------------------|--|----------------|---|
| 授出日期 | 可行使期 | 行使價 | |
| | | HK\$ 港元 | |
| Director | | | |
| 董事 | | | |
| 30th March, 2005 | 11th December, 2005 to 30th March, 2010 | | |
| 二零零五年三月三十日 | 二零零五年十二月十一日至 二零一零年三月三十日 | 0.65 | 1,720,000 |
| Employees | | | |
| 僱員 | | | |
| 30th March, 2005 | 11th December, 2005 to 30th March, 2010 | | |
| 二零零五年三月三十日 | 二零零五年十二月十一日至 二零一零年三月三十日 | 0.65 | 13,280,000 |
| | | | <u>15,000,000</u> |

10. POST BALANCE SHEET EVENTS

Pursuant to the Reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company issued shares in exchange for the entire issued share capital of Excellent Overseas which thereby became an intermediate holding company of the Group on 18th May, 2005. Excellent Overseas is an investment holding company incorporated in the British Virgin Islands with limited liability on 18th July, 2001 and was, prior to completion of the Reorganisation, owned by Mr. Chang and Ms. Hsieh.

On 18th May, 2005, the authorised share capital of the Company was increased from HK\$350,000 divided into 3,500,000 shares to HK\$100,000,000 divided into 1,000,000,000 shares by the creation of an additional 996,500,000 shares of HK\$0.10 each.

Also on 18th May, 2005, an aggregate of 149,999,999 shares were issued and allotted to Polestar Assets Limited ("Polestar"), at the direction of Mr. Chang and Ms. Hsieh, as consideration for the transfer of the entire issued share capital of Excellent Overseas to the Company and Mr. Chang transferred to Polestar the subscriber share in the Company. In consideration of Mr. Chang's transfer of the subscriber share and his and Ms. Hsieh's direction for the allotment and issue of 149,999,999 shares to Polestar as aforesaid, Polestar allotted and issued 7 shares and 2 shares of US\$1 each to Mr. Chang and Ms. Hsieh respectively.

On 7th June, 2005, 75,000,000 shares were capitalised and issued to Polestar.

On 8th June, 2005, 75,000,000 new shares of the Company of HK\$0.10 each were issued at HK\$0.88 per share for cash through an initial public offering by way of placing and public offer.

Details of the above issues of shares are set out in the prospectus dated 27th May, 2005 issued by the Company. The shares of the Company have been listed on the Stock Exchange with effect from 10th June, 2005.

10. 結算日後事項

為合理化本集團架構以籌備本公司股份在聯交所上市的重組，本公司發行股份以換取Excellent Overseas全部已發行股本並因而於二零零五年五月十八日成為本集團的居間控股公司。Excellent Overseas為一間於二零零一年七月十八日在英屬處女群島註冊成立的投資控股公司，於重組完成前由張先生及謝女士擁有。

二零零五年五月十八日，本公司藉增設996,500,000股股份，將法定股本由350,000港元（分為3,500,000股股份）增至100,000,000港元（分為1,000,000,000股每股面值0.10港元的股份）。

又在二零零五年五月十八日，本公司按張先生及謝女士的指示，將合共149,999,999股股份發行及配發予Polestar Assets Limited（「Polestar」），作為將Excellent Overseas的全部已發行股本轉讓予本公司的代價，而張先生則將本公司的認購人股份轉讓予Polestar。Polestar向張先生及謝女士分別配發及發行7股及2股每股面值1美元的股份，作為上文所述張先生轉讓認購人股份以及張先生及謝女士指示向Polestar配發及發行149,999,999股股份的代價。

於二零零五年六月七日，75,000,000股股份乃撥充資本並發行予Polestar。

二零零五年六月八日，本公司以配售及公開發售方式通過首次公開發售按每股0.88港元發行75,000,000股本公司每股面值0.10港元的新股，以換取現金。

上述發行股份的詳情載於本公司於二零零五年五月二十七日刊發的售股章程。本公司股份自二零零五年六月十日起在聯交所上市。