

DIRECTORS' REPORT**董事局報告書**

The board of directors (the "Directors") present their annual report together with the audited consolidated financial statements of Linfair Holdings Limited (the "Company") and its subsidiaries (together the "Group") (legally established on 18th May, 2005) for the year ended 31st March, 2006.

GROUP REORGANISATION

The Company was incorporated in Cayman Islands on 8th October, 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to the reorganisation as disclosed in the Company's prospectus dated 27th May, 2005 (the "Reorganisation"), prepared for the purpose of listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company then became the holding company of the subsidiaries now comprising the Group. The Company's shares were subsequently listed on the Main Board of the Stock Exchange on 10th June, 2005. Details of the Reorganisation are set out in note 1 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

As at 31st March, 2006, the Company acts as an investment holding company. The principal activities of the Group are the provision of engineering systems contracting services and sales of related consumables and spare parts. Particulars of the Company's subsidiaries are set out in note 34 to the consolidated financial statements. The nature of the principal activities of the Group has not changed during the year.

RESULTS AND APPROPRIATIONS

The results of Group for the year are set out on page 29.

A special interim dividend of 2 HK cents per ordinary share amounting to HK\$6 million was declared and paid during the year. The Directors do not recommend the payment of a final dividend.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31.

本董事局(「董事局」)謹提呈福茂控股有限公司(「本公司」)及其附屬公司(統稱「本集團」,於二零零五年五月十八日依法成立)截至二零零六年三月三十一日止年度的年報連同經審核綜合財務報表。

集團重組

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獲豁免有限公司。為籌備本公司股份於香港聯合交易所有限公司(「聯交所」)主板上市,本公司進行於二零零五年五月二十七日刊發的售股章程內披露的重組(「重組」),根據重組,本公司當時便成為現時組成本集團的附屬公司的控股公司。本公司股份其後於二零零五年六月十日在聯交所主板上市。重組詳情載於綜合財務報表附註1。

主要業務

於二零零六年三月三十一日,本公司乃一間投資控股公司。本集團的主要業務為提供工程系統承包服務,同時銷售相關消耗品及零部件。本公司附屬公司的詳情載於綜合財務報表附註34。本集團主要業務的性質於年內並無改變。

業績及分派

本集團本年度的業績載於第29頁。

本公司於年內宣派及已派付特別中期股息每股普通股2港仙,合共6,000,000港元。董事不建議派付末期股息。

儲備

本集團於年內的儲備變動詳情載於第31頁綜合權益變動表。

DIRECTORS' REPORT**董事局報告書****FINANCIAL SUMMARY**

A summary of the financial results and position of the Group for the last five financial years is set out on page 88.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements of the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

SHARE OPTIONS

A pre-IPO share option scheme and another share option scheme were approved and adopted by the Company on 30th March, 2005 and 20th May, 2005 respectively. Particulars of these are set out in note 27 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Chang Ei Eu (*Chairman*)

Ms. Hsieh Ming Chiu

Mr. Chow Kin Ming

Independent Non-Executive Directors

Mr. Lee Kin Keung

Dr. Lam Chun Kong

Madam Tung Pui Man

In accordance with Clauses 87 of the Company's Articles of Association, Mr. Chang Ei Eu and Mr. Lee Kin Keung will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

財務概要

過去五個財政年度本集團財務業績及狀況概要載於第88頁。

物業、廠房及設備

本集團於年內的物業、廠房及設備的變動詳情載於綜合財務報表附註14。

股本

本公司股本於年內的變動詳情載於綜合財務報表附註26。

購股權

本公司分別於二零零五年三月三十日及二零零五年五月二十日批准並採納一項首次公開發售前購股權計劃及另一項購股權計劃。計劃的詳情載於綜合財務報表附註27。

購買、出售或贖回本公司上市證券

本公司或其任何附屬公司於年內概無購買、出售或贖回本公司任何證券。

董事

於年內及截至本報告日期為止，本公司在任董事如下：

執行董事

張翼宇先生 (*主席*)

謝明秋女士

周堅銘先生

獨立非執行董事

李健強先生

林振綱博士

董佩雯女士

根據本公司的章程細則第87條，張翼宇先生及李健強先生將在應屆股東週年大會上輪值退任，惟有資格並願意膺選連任。

DIRECTORS' REPORT

董事局報告書

DIRECTORS (continued)

Each of Mr. Chang Ei Eu, Ms. Hsieh Ming Chiu and Mr. Chow Kin Ming entered into a service contract with the Company on 20th May, 2005 for initial terms of three years, one year and two years respectively commencing on 10th June, 2005 and will continue thereafter unless and until terminated by either party by giving three months prior written notice to the other.

Each of the Independent Non-Executive Directors of the Company was appointed as an Independent Non-Executive Director for a term of three year commencing from 10th June, 2006 pursuant to a letter of appointment, provided that either party may terminate such appointment at any time by giving at least one month's notice in writing to the other.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31st March, 2006, the interests and short positions of the Directors and chief executive, in the shares and share options of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO Ordinance"), as recorded in the registers maintained by the Company pursuant to Section 352 of the SFO Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO Ordinance or the Model Code for Securities Transaction by Directors of Listed Issuers in the Listing Rules, were as follows:

Long positions

- (1) Ordinary shares of HK\$0.1 each of the Company

Name of Director 董事姓名	Capacity 身分	Number of issued ordinary shares held 所持已發行 普通股數目	Percentage of the issued share capital of the Company 佔本公司已發行 股本百分比
Mr. Chang Ei Eu 張翼宇先生	Corporate interest (Note) 公司權益(附註)	225,000,000	75%
Ms. Hsieh Ming Chiu 謝明秋女士	Other interest (Note) 其他權益(附註)	225,000,000	75%

Note: The 225,000,000 shares referred to above are duplicated and held by Polestar Assets Limited ("Polestar") which is beneficially owned as to 80% by Mr. Chang Ei Eu and as to 20% by Ms. Hsieh Ming Chiu, and they are therefore deemed to be interested in the 225,000,000 shares held by Polestar.

董事 (續)

張翼宇先生、謝明秋女士及周堅銘先生已於二零零五年五月二十日個別與本公司訂立服務合約，初定年期由二零零五年六月十日起，分別為期三年、一年及兩年。該等服務合約將於其後繼續生效，直至其中一方向另一方發出三個月書面通知終止該等合約為止。

本公司各獨立非執行董事的獨立非執行董事任期由二零零六年六月十日起為期三年，惟其中一方可隨時向另一方發出最少一個月書面通知終止任期。

董事於股份及購股權的權益

於二零零六年三月三十一日，董事及最高行政人員於本公司或任何相聯法團(定義見證券及期貨條例第XV部)股份及購股權中擁有根據證券及期貨條例第352條所存置登記冊所記錄，或根據上市規則中證券及期貨條例第XV部或上市發行人董事進行證券交易的標準守則須知會本公司及聯交所的權益及淡倉如下：

好倉

- (1) 本公司每股面值0.1港元的普通股

附註： 上述225,000,000股股份屬於由 Polestar Assets Limited (「Polestar」) 持有的同一批股份，而Polestar則由張翼宇先生及謝明秋女士分別實益擁有80%及20%，故此彼等均被視為於Polestar持有的225,000,000股股份中擁有權益。

DIRECTORS' REPORT

董事局報告書

DIRECTORS' INTERESTS IN SHARES AND SHARE
OPTIONS (continued)

(2) Share options

Name of Director 董事姓名	Capacity 身分	Number of options held 所持購股權數目	Number of underlying shares 相關股份數目
Mr. Chow Kin Ming 周堅銘先生	Beneficial owner 實益擁有人	1,720,000	1,720,000

Other than disclosed above, none of the Company's Directors, chief executives and their associates, had any interests or short positions in any shares of the Company or any of its associated corporations at 31st March, 2006.

ARRANGEMENTS TO PURCHASE SHARES OR
DEBENTURES

Other than disclosed above under "Share Options", at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

董事於股份及購股權的權益 (續)

(2) 購股權

除上文披露者外，於二零零六年三月三十一日，本公司董事、最高行政人員及彼等的聯繫人概無於本公司或其任何相聯法團的股份擁有任何權益或淡倉。

購買股份或債權證的安排

除上文「購股權」所披露外，於年內任何時間，本公司概無訂立任何安排，致使本公司董事可藉購入本公司或任何其他法人團體的股份或債券證而獲得利益，而董事、最高行政人員或彼等的任何配偶或未滿18歲的子女亦無認購本公司證券的任何權利，或行使任何有關權利。

DIRECTORS' REPORT

董事局報告書

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2006, so far as is known to the Directors of the Company, the persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the registers maintained by the Company pursuant to Section 336 of the SFO Ordinance and/or as notified to the Company were as follows:

Long positions

Ordinary shares of HK\$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held 所持已發行 普通股數目	Percentage of the issued share capital of the Company 佔本公司已發行 股本百分比
股東姓名	身分		
Polestar Assets Limited	Beneficial owner (Note) 實益擁有人 (附註)	225,000,000	75%

Note: Polestar is beneficially owned as to 80% by Mr. Chang Ei Eu and as to 20% by Ms. Hsieh Ming Chiu, and they are therefore deemed to be interested in the 225,000,000 shares held by Polestar.

主要股東

據本公司董事或最高行政人員所知，於二零零六年三月三十一日，於本公司股份或相關股份擁有權益或淡倉並載於本公司按證券及期貨條例第336條須予存置的登記冊及／或已向本公司知會的人士（本公司董事或最高行政人員除外）如下：

好倉

本公司每股面值0.1港元的普通股

附註：Polestar 由張翼宇先生及謝明秋女士分別實益擁有80%及20%，故此彼等均被視為於Polestar 持有的225,000,000股股份中擁有權益。

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the year, no contract of significance for the provision of services to the Group by the controlling shareholders or any of their subsidiaries has been made.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

董事及控股股東於重大合約的權益

於本年度結束時或本年度內任何時間，並不存在本公司或其任何附屬公司，控股公司或同系附屬公司參與訂立，而董事或控股股東或彼等各自之任何附屬公司直接或間接地擁有重大權益而與本公司業務有關之其他重要合約。

年內，控股股東或其任何附屬公司概無訂立向本集團提供服務之重要合約。

管理合約

年內並無訂立或存在涉及本公司及本集團全部或大部分業務的任何管理及行政合約。

DIRECTORS' REPORT

董事局報告書

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2006, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 47% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 13% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 89% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 48% of the Group's total purchases.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, the interests of the Directors of the Company in businesses which competed or were likely to compete, either directly or indirectly, with the business of the Group are set out as follows:

Mr. Chang Ei Eu ("Mr. Chang") and Ms. Hsieh Ming Chiu ("Ms. Hsieh") and their children jointly owns 90.9% equity of Linfair Engineering and Trading Limited ("Linfair (Taiwan)"), a private limited company incorporated in Taiwan which engaging in, among other things, the trading and installation of broadcasting, audio and visual entertainment systems, audio and/or visual system installation for auditorium and music recording studios, and installation of aluminium scaffold. Thus, Linfair (Taiwan) competes with the Group in respect of broadcasting and audio and visual systems and the theme park show systems. Accordingly, both Mr. Chang and Ms. Hsieh were regarded as having interests in competing businesses of the Group during the year. In order to eliminate/reduce any potential competition between the Group and Linfair (Taiwan), the Company, Mr. Chang, Ms. Hsieh and Linfair (Taiwan) have entered into a non-competition agreement dated 20th May, 2005 restraining Linfair (Taiwan) from competing with the Group. Both Mr. Chang and Ms. Hsieh confirmed to the Company of the compliance during the year with the terms of the non-competition undertakings given by Mr. Chang, Ms. Hsieh and Linfair (Taiwan).

主要客戶及供應商

截至二零零六年三月三十一日止年度，本集團五大客戶的營業額總額佔本集團總營業額約47%，而本集團最大客戶的營業額則佔本集團總營業額約13%。

本集團五大供應商的採購額總額佔本集團總採購額約89%，而本集團最大供應商的採購額則佔本集團總採購額約48%。

本公司董事、董事的聯繫人或據董事所知擁有本公司股本5%的股東於年內任何時間概無擁有本集團主要供應商或客戶的任何權益。

董事於構成競爭業務的權益

年內，本公司各董事於與本集團業務直接或間接構成競爭或可能構成競爭的業務中擁有的權益如下：

張翼宇先生（「張先生」）、謝明秋女士（「謝女士」）以及彼等的子女合共擁有福茂國際股份有限公司（「福茂（台灣）」）之90.9%股本。福茂（台灣）為於台灣註冊成立的私人有限公司。其從事的業務包括買賣及安裝廣播及影音娛樂系統、為會堂及音樂錄音室安裝視覺及／或音響系統，以及安裝鋁質台架等。故此，就廣播及影音娛樂系統及主題樂園表演系統而言，福茂（台灣）乃與本集團競爭。因此，張先生與謝女士均被視為於年內在與本集團構成競爭的業務中擁有權益。為排除／減少本集團與福茂（台灣）之間可能出現的競爭，本公司、張先生、謝女士及福茂（台灣）於二零零五年五月二十日訂立了不競爭協議，藉此限制福茂（台灣）與本集團競爭。張先生與謝女士已向本公司確認，彼等於年內一直遵守張先生、謝女士及福茂（台灣）作出的不競爭承諾。

DIRECTORS' REPORT**董事局報告書****DIRECTORS' INTERESTS IN COMPETING BUSINESS***(continued)*

Save as disclosed above, none of the Directors of the Company were interested in any business apart from the Group's businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group during the year.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float with the Listing Rules.

EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT MAY REQUIRE DISCLOSURE

As at 31st March, 2006, the Group has made advances of approximately HK\$32.7 million and HK\$20.3 million to Mechtronic International Ltd and Estorage Technology Co. Ltd. respectively.

The balances represented the trade receivables due from customers arising mainly from engineering system contracts for optical disc manufacturing systems and were unsecured, interest free and repayable in accordance with the agreed credit terms under sales contracts. The customers were not connected persons of the company as defined in the Listing Rules.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chang Ei Eu
CHAIRMAN

21st July, 2006

董事於構成競爭業務的權益 (續)

除上文披露者外，如不計本集團的業務，年內概無本公司董事於與本集團業務直接或間接構成競爭或可能構成競爭的業務中擁有權益。

優先購買權

本公司章程細則並無優先購買權條文，規定本公司須按比例向現有股東提呈發售新股。

足夠公眾持股量

根據本公司所得的公開資料及就本公司董事所知，本公司乃維持上市規則所訂明的公眾持股量。

向借款人貸款及可能需要披露的其他特定情況

於二零零六年三月三十一日，本集團分別向 Mechtronic International Ltd 及兆貴科技股份有限公司墊付約 32,700,000 港元及 20,300,000 港元。

該等金額乃應收客戶貿易帳款，主要來自光碟製造系統的工程系統合約，乃無抵押、免息並須根據銷售合約下協定的信貸條款予以償還。該等客戶並非本公司的關連人士（定義見上市規則）。

核數師

本公司應屆股東週年大會上將提呈續聘德勤•關黃陳方會計師行為本公司核數師的決議案。

代表董事局

主席
張翼宇

二零零六年七月二十一日