



藍帆科技控股有限公司*
LINEFAN TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8166

First Quarterly Report 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Linefan Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Financial Highlights

Unaudited turnover increased to approximately HK\$2,026,000 for the three months ended 31 March 2006 representing an increase of approximately 35.88% as compared to the corresponding period in 2005.

Unaudited net loss attributable to shareholders amounted to approximately HK\$1,778,000 for the three months ended 31 March 2006.

The board of directors (the "Board") of the Linefan Technology Holdings Limited (the "Company") does not recommend the payment of an interim dividend for the three months ended 31 March 2006.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS

The Board would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2006 together with the comparative figures for the corresponding period in 2005.

CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March	
		2006	2005
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	2,026	1,491
Cost of sales		(1,281)	(1,203)
Gross profit		745	288
Other operating income		253	3
Distribution costs		(379)	(783)
Administrative expenses		(2,709)	(3,048)
Loss from operations		(2,090)	(3,540)
Interest on bank borrowings		–	(1)
Loss before taxation		(2,090)	(3,541)
Income tax expenses	3	–	–
Loss after taxation but before minority interests		(2,090)	(3,541)
Minority interests		312	824
Loss attributable to shareholders		(1,778)	(2,717)
Loss per share			
– Basic (<i>in HK cents</i>) (2005: <i>restated</i>)	5	(0.75)	(1.73)
– Diluted (<i>in HK cents</i>)	5	N/A	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*For the three months ended 31 March 2006*

	Share capital	Share premium	Capital reserve	Special reserve	PRC statutory reserve	Exchanged reserve	Accumu- lated loss	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005	15,707	55,116	3,970	3,324	3,029	33	(41,481)	39,698
Share issue expenses	-	(22)	-	-	-	-	-	(22)
Exchange adjustment	-	-	-	-	-	(5)	-	(5)
Loss for the period	-	-	-	-	-	-	(2,717)	(2,717)
At 31 March 2005	15,707	55,094	3,970	3,324	3,029	28	(44,198)	36,954
At 1 January 2006	23,560	54,459	3,970	3,324	3,029	(84)	(55,006)	33,252
Exchange adjustment	-	-	-	-	-	(10)	-	(10)
Loss for the period	-	-	-	-	-	-	(1,778)	(1,778)
At 31 March 2006	23,560	54,459	3,970	3,324	3,029	(94)	(56,784)	31,464

Notes:

1. Principal Accounting Policies and Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They comply with the applicable disclosure provisions of GEM Listing Rules.

2. Turnover

Turnover represents sales values of voice portal software less discounts and value added tax.

3. Income Tax Expenses

The Group's primary operations are carried out in the PRC. The general tax rate for corporation in the PRC is 33%. However, in accordance with the applicable enterprise income tax law of the PRC, Beijing Linefan Technology Company Limited ("Beijing Linefan"), one of the Group's operating subsidiaries in the PRC is entitled to exemption for income tax for its first two profitable years of operations and a 50% relief on the income tax that would otherwise be charged for the succeeding three years. The income tax exemption period of Beijing Linefan expired in the year ended 31 December 2001. No provision for PRC income tax has been made for the year as Beijing Linefan has incurred a loss. Moreover, Unlimited Business Opportunity Communication Technology Company Limited ("UBO"), another PRC operating subsidiary of the Group, was officially recognised as Hi-Tech Enterprise by the Beijing Municipal Government in November 2001, and therefore is eligible to receive preferential treatment in form of a concession tax rate of 15%. It is also eligible for full exemption from income tax for its first three years of operations. No provision for PRC income tax has been made for the period as UBO incurred a loss. All of the PRC subsidiaries of the Group have incurred losses for the period and no provision for PRC income tax are required. These losses can be carried forward to offset against future profits for a period of five years.

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

No provision for Hong Kong Profits Tax has been made in the financial statement since the Company's Hong Kong subsidiary has made no assessable profit for the period.

4. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

5. Loss Per Share

The calculation of the basic loss per share is based on the following data:

	For the three months ended 31 March	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period for the purpose of the basic loss per share	1,778	2,717
Weighted average number of ordinary shares for the purpose of basic loss per share	235,599,690	157,066,460

The comparative figures of loss per share for the period ended 31 March 2005 had been re-calculated to reflect a share consolidation occurred during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the past three months, based on the persistent expansion of the application scale and scope of the voice search business, which is an application of knowledge management, in China Unicom's voice value-added business and the further expansion of the nationwide operations of China Unicom in over twenty provinces and cities in the PRC, the Company's nationwide Nicam business experienced a substantial improvement in its results through the enlarged scope of cooperation and extended marketing effort and has become a new centre of growth of the Company.

The Company's business continued to develop from entertainment towards industry information application that enhanced the Company's ability to resist risks. The Company further expanded its product lines in accordance with customers' needs, continue to develop the industry information application of voice search services where in Shandong Unicom and Heilongjiang Unicom have respectively set up industry information service business like psychological expert on-line enquiry and agricultural information service.

By working closely with the media such as local radio stations, the Company continued to develop its promotion channels and put greater effort in marketing. The Company actively sought cooperation in order to persistently expand its scale of business with a minimum cost.

Financial review

For the three months ended 31 March 2006, the Group's turnover increased by 35.88% to approximately HK\$2,026,000 from approximately HK\$1,491,000 for the same period last year. The increase was mainly due to the successful introduction of mobile voice search services to customers in a nationwide scale and commencement of mobile valued-added voice service for the whole network of China Unicom.

Distribution costs and administrative expense for the period under review decreased to approximately HK\$379,000 and HK\$2,709,000 from approximately HK\$783,000 and HK\$3,048,000 respectively for the same period last year as a result of cost control measures by the Group.

As a result, the Group recorded a loss attributable to shareholders for the amount of approximately HK\$1,778,000 as compared to the loss attributable to shareholders of approximately HK\$2,717,000 for the same period last year.

Outlook

In the second quarter, in respect of the application of knowledge management in voice search services, the Company will continue to strengthen its development in the scale and scope of cooperation with domestic mobile services providers in value-added voice services. It will also continue to develop the information application of the voice search services in relevant industries so as to develop a more personalized information application service of mobile voice search services, perfect the application of information system voice search services, and expand its coverage to provide one-stop services like travel, accommodation, catering, transportation, medical and education, aiming at raising customers' utilization and loyalty. The Company will continue to fully utilize the advantages and resources, promote cooperation with external parties with reference to the cooperation model and experience of the Nicam business, as well as leverage on its partners' advantages, so as to realize a rapid and steady growth with a low cost structure.

In line with the development progress of the 3G business, the Company will continue to strengthen the development of its data business. This will involve the integration of its existing customers resources by effectively consolidating the industrial information application of the data business and the voice search business, as well as the WAP business with voices, SMS and network services. This will lay a solid foundation for the 3G business, hence contributing to the persistent healthy and steady development of the Company.

DIRECTORS' AND CHIEF EXECUTIVES RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 March 2006, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the directors and chief executives if the Company or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercise any such right.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2006, the interest of the directors and the chief executive of the Company in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests of short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the directors was as follows:

Long positions

Name of director or chief executive	Number of ordinary shares of HK\$0.1 each in the share capital of the Company			
	No. of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Zhu Guang Bo	–	–	30,660,000 (Note 1)	–

Note:

- These shares are registered in the name of World Develop Limited, which is beneficially-owned by Mr. Zhu Guang Bo.

Save as disclosed above, as at 31 March 2006, none of the directors and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to notify to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests of short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

DIRECTORS’ INTEREST IN CONTRACTS

No contract of significance, to which the Company or its subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the following persons had an interest or short position in the shares and underlying share of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of other members of the Group.

Name	Capacity	Number of ordinary shares of HK\$0.1 each	Approximate percentage of holding
Ms. Lu Wen Bin	Beneficial owner	44,533,911	18.90%
World Develop Limited (<i>Note 1</i>)	Beneficial owner	30,660,000	13.01%
Mr. Zhu Guang Bo (<i>Note 1 and 2</i>)	Held by controlled corporation	30,660,000	13.01%

Notes:

1. World Develop Limited (“WDL”) is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Zhu Guang Bo.
2. The shares are registered in the name of World Develop Limited, and Mr. Zhu Guang Bo is the executive director of the Company.

Save as disclosed above, as at 31 March 2006, no other persons had an interest or short position in the shares and underlying share of the Company or any of its associated corporations was directly or indirectly interested in 5% or more of the issued share capital of the Company.

SHARE OPTIONS SCHEME

On 24 January 2002, the share option scheme of the Company was approved pursuant to a written resolution of the Company (the "Share Option Scheme"). The principle terms of which are set out in the section headed "Share Option Scheme" in the prospectus. As at 31 December 2005, options in respect of a total 185,809,000 shares were granted since the adoption of the Share Option Scheme which were all made to various employees and an aggregate of 92,909,000 options have been exercised by option holders and 92,900,000 have been lapsed.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

COMPETING INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules governing dealings by directors in listed securities of the Company ("dealings rules") on terms no less exacting than the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules ("required standard of dealings"). Having made specific enquiry of all directors of the Company, all directors of the Company confirm that they complied with such dealings rules throughout the three months ended 31 March 2006.

AUDIT COMMITTEE

The Company established an audit committee on 31 July 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee currently comprise Doctor Chan, Peter Yat Tung and Mr. Feng Jue Min and Mr. Zhang Gong, who are the independent non-executive directors of the Company. They conduct four times of the meeting for a year, usually one or two business days before the Board of Directors to approve the financial results. The Group's unaudited consolidated results for the period ended 31 March 2006 have been reviewed by the committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board

Wang Yong

Chairman

Hong Kong, 11 May 2006