



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)

*For Identification Purpose Only

07

FIRST QUARTERLY REPORT

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risk of investing in such companies and should make decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.

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HIGHLIGHTS

Financial Highlights

Unaudited revenue decreased to approximately HK\$349,000 for the three months ended 31 March 2007 representing a decrease of approximately 82.77% as compared to the corresponding period in 2006.

Unaudited loss attributable to equity holders amounted to approximately HK\$1,542,000 for the three months ended 31 March 2007.

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 2007.

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 2007 together with the comparative figures for the corresponding period in 2006.

CONSOLIDATED INCOME STATEMENT

| | | For the three months ended 31 March, | |
|-------------------------------|-------|---|----------------|
| | | 2007 | 2006 |
| | | (Unaudited) | (Unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| Revenue | 2 | 349 | 2,026 |
| Cost of sales | | (477) | (1,281) |
| Gross profit/(loss) | | (128) | 745 |
| Other operating income | | 48 | 253 |
| Distribution costs | | (10) | (379) |
| Administrative expenses | | (1,451) | (2,709) |
| Loss from operations | | (1,541) | (2,090) |
| Interest on bank borrowings | | (1) | – |
| Loss before taxation | | (1,542) | (2,090) |
| Income tax expenses | 3 | – | – |
| Loss for the period | | (1,542) | (2,090) |
| Loss attributable to: | | | |
| Equity holders of the Company | | (1,542) | (1,778) |
| Minority interests | | – | (312) |
| | | (1,542) | (2,090) |
| Loss per share | | | |
| – Basic (in HK cents) | 5 | (0.65) | (0.75) |
| – Diluted (in HK cents) | | N/A | N/A |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2007

| | Attributable to equity holders of the Company | | | | | | | | | Total equity |
|--|---|---------------|-----------------|-----------------|-----------------------|------------------|--------------------|----------|--------------------|--------------|
| | Share capital | Share premium | Capital reserve | Special reserve | PRC statutory reserve | Exchange reserve | Accumulated losses | Total | Minority interests | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2006 | 23,560 | 54,459 | 3,970 | 3,324 | 3,029 | (84) | (55,006) | 33,252 | 3,521 | 36,773 |
| Elimination arising on change of status of a subsidiary | - | - | - | - | - | - | - | - | (2,287) | (2,287) |
| Exchange difference arising on translation of PRC operations | - | - | - | - | - | (43) | - | (43) | - | (43) |
| Loss for the year | - | - | - | - | - | - | (4,972) | (4,972) | (1,234) | (6,206) |
| At 31 December 2006 | 23,560 | 54,459 | 3,970 | 3,324 | 3,029 | (127) | (59,978) | 28,237 | - | 28,237 |
| Exchange difference arising on translation of PRC operations | - | - | - | - | - | (74) | - | (74) | - | (74) |
| Loss for the period | - | - | - | - | - | - | (1,542) | (1,542) | - | (1,542) |
| At 31 March 2007 | 23,560 | 54,459 | 3,970 | 3,324 | 3,029 | (201) | (61,520) | 26,621 | - | 26,621 |

Notes:

1. Principal Accounting Policies and Basis of Preparation

The Group's unaudited consolidated results have been prepared under the historical cost convention and 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.

The accounting policies and basis of preparation adopted for the presentation of the quarterly financial statements are consistent with those adopted by the Group in its annual financial statement for the year ended 31 December 2006.

2. Revenue

Revenue represents sales values of voice portal gateway facilities in communication and voice portal application software less discounts and value added tax.

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| | For the three months ended 31 March, | |
|---|---|--------------|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Other system and software related service | – | 146 |
| Voice portal gateway facilities in communication and voice portal application software | 349 | 1,880 |
| | 349 | 2,026 |

3. Income Tax Expenses

The Group's primary operations are carried out in the PRC. The tax rate for the periods ended 31 March 2006 and 2007 applicable to the Group is 33%, except for Unlimited Business Opportunity Communication Technology Company Limited ("UBO"), a PRC operating subsidiary of the Group, which 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. All of the PRC subsidiaries of the Group have incurred losses for the year 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 statements 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 2007 (2006: Nil).

5. Loss per Share

The calculation of the Group's basic loss per share for the three months ended 31 March 2007 and 2006 is based on the respective unaudited consolidated loss attributable to equity holders of HK\$1,542,000 (2006: HK\$1,778,000).

The basic loss per share is based on the weighted average of 235,599,690 (2006: 235,599,690) shares of HK\$0.10 each in issue during the three months ended 31 March 2007 and 2006 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In order to safeguard the continuous development of national and regional businesses, in addition to the three existing branch offices in Shandong, Heilongjiang and Jilin, the Company had also developed branch offices in Fujian, Shanghai, Guangzhou, Xian and Chongqing. The Group had registered in the local telecommunication authorities where the branch offices operate and is gradually developing the local markets.

Financial review

For the three months ended 31 March 2007, the Group's turnover decreased by 82.77% to approximately HK\$349,000 from approximately HK\$2,026,000 because of suspension of Nicam business. Distribution costs and administrative expenses for the period under review decreased in line with the decrease in turnover, to approximately HK\$10,000 and HK\$1,451,000 from approximately HK\$379,000 and HK\$2,709,000 respectively for the same period last year.

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As a result, the Group recorded a loss attributable to shareholders for the amount of approximately HK\$1,542,000 as compared to the loss attributable to shareholders of approximately HK\$1,778,000 for the same period last year.

Outlook

With the extensive application of telecommunication value-added business, in the coming year, the Company will explore into new portfolio of business lines and develop a stronger and advanced market with regard to e-government administration, rural informatization, enterprises informatization and distanced message service.

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

As at 31 March 2007, 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 benefits by means of the acquisition of shares in, 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 2007, 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:

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Long positions

| Name of director or chief executive | Number of ordinary shares of HK\$0.1 each in the share capital of the Company | | | |
|-------------------------------------|--|------------------|------------------------|-----------------|
| | Personal interests | Family interests | Corporate interests | Other interests |
| Mr. Zhu Guang Bo | – | – | 30,660,000 (Note 1) | – |

Note:

1. 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 2007, 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

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As at 31 March 2007, 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 2007, 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. A total of 185,809,000 share options which were all made to various employees were granted since the adoption of the Share Option Scheme. An aggregate of 92,909,000 options have been exercised and 92,900,000 options have been lapsed.

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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.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

Mr. Wang Yong assumes the role of both the chairman and the chief executive officer of the Company. The Board is of the view that this has not compromised accountability and independent decision making. The Board is also of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management. Save as disclosed above, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the three months ended 31 March 2007.

DIRECTORS' SECURITIES TRANSACTIONS

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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 2007.

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 2007 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 2007