



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

INTERIM REPORT 2007

## **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.**

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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 decreased to approximately HK\$523,000 for the six months ended 30 June 2007 representing a decrease of approximately 87.38% as compared to the corresponding period in 2006.

Unaudited loss attributable to equity holders amounted to approximately HK\$5,173,000 for the six months ended 30 June 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 six months ended 30 June 2007.

## UNAUDITED CONSOLIDATED INTERIM RESULTS

The Board would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006.

### CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June, 2007		For the six months ended 30 June, 2007	
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	2	174	2,118	523	4,144
Cost of sales		(324)	(1,199)	(801)	(2,480)
Gross profit/(loss)		(150)	919	(278)	1,664
Other operating income		50	8	98	261
Distribution costs		(3)	(273)	(13)	(652)
Administrative expenses		(3,528)	(2,436)	(4,980)	(5,145)
<b>Loss from operations</b>	4	<b>(3,631)</b>	(1,782)	<b>(5,173)</b>	(3,872)
Interest on bank borrowings		-	-	-	-
<b>Loss before taxation</b>		<b>(3,631)</b>	(1,782)	<b>(5,173)</b>	(3,872)
Income tax expenses	5	-	-	-	-
Loss for the period		<b>(3,631)</b>	(1,782)	<b>(5,173)</b>	(3,872)
<b>Loss attributable to:</b>					
Equity holders of the Company		<b>(3,631)</b>	(1,519)	<b>(5,173)</b>	(3,297)
Minority interests		-	(263)	-	(575)
		<b>(3,631)</b>	(1,782)	<b>(5,173)</b>	(3,872)
Loss per share					
- Basic (in HK cents)	7	<b>(1.54)</b>	(0.64)	<b>(2.20)</b>	(1.40)

**CONSOLIDATED BALANCE SHEET**

		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Audited)
<i>Notes</i>		<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,030</b>	5,074
Intangible assets		<b>140</b>	536
Goodwill		<b>20,239</b>	22,847
Available-for-sale investment		<b>2,491</b>	2,391
		<b>26,900</b>	30,848
<b>Current assets</b>			
Trade receivables	8	<b>686</b>	681
Other receivables, deposits and prepayments		<b>294</b>	349
Cash and cash equivalents		<b>1,053</b>	833
		<b>2,033</b>	1,863
<b>Current liabilities</b>			
Trade payables		<b>1,008</b>	842
Other payables and accruals		<b>1,573</b>	1,632
Unsecured loan	9	<b>4,000</b>	2,000
		<b>6,581</b>	4,474
<b>Net current liabilities</b>		<b>(4,548)</b>	(2,611)
<b>Net assets</b>		<b>22,352</b>	28,237
<b>Capital and reserves</b>			
Share capital	10	<b>23,560</b>	23,560
Reserves		<b>(1,208)</b>	4,677
<b>Equity attributable to equity holders of the Company</b>		<b>22,352</b>	28,237
<b>Minority interests</b>		-	-
<b>Total equity</b>		<b>22,352</b>	28,237

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(3,381)</b>	(1,249)
Net cash used in investing activities	<b>(8)</b>	–
Net cash generated from financing activities	<b>2,000</b>	–
Net decrease in cash and cash equivalents	<b>(1,389)</b>	(1,249)
Cash and cash equivalents at the beginning of period	<b>833</b>	2,014
Effect of exchange rate changes	<b>1,609</b>	(331)
Cash and cash equivalents at the end of period	<b>1,053</b>	434
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	<b>1,053</b>	434

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2007*

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Special reserve	PRC statutory reserve	Exchange reserve	Accumulated losses	Total	Minority interests	Total equity
	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	-	-	-	-	-	(712)	-	(712)	-	(712)
Loss for the period	-	-	-	-	-	-	(5,173)	(5,173)	-	(5,173)
At 30 June 2007	23,560	54,459	3,970	3,324	3,029	(839)	(65,151)	22,352	-	22,352

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.

During the six months ended 30 June 2007, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the six months ended 30 June 2007 and the same period in last year.

The accounting policies and basis of preparation adopted for the presentation of the interim 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 gateway facilities in communication and voice portal application software less discounts and value added tax.

	For the three months ended 30 June,		For the six months ended 30 June,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Other system and software related service	–	269	–	269
Voice portal gateway facilities in communication and voice portal application software	174	1,849	523	3,875
	<b>174</b>	2,118	<b>523</b>	4,144



### 3. Business and Geographical Segments

The Group's operations are situated in the PRC in which revenue was derived principally therefrom. Accordingly, no geographical segments were presented. The Group comprises one primary business segment which is the sales of voice portal gateway facilities in communication and voice portal software.

#### Business segments

The following table presents revenue and results for the Group's business segments:

	For the six months ended 30 June					
	Other systems		Voice portal		Consolidated	
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Revenue	-	269	523	3,875	523	4,144
Segment results	(1,538)	(1,664)	(913)	(939)	(2,451)	(2,603)
Unallocated corporate expenses					(2,722)	(1,269)
Loss from operations					(5,173)	(3,872)
Interest on bank borrowings					-	-
Loss for the period					(5,173)	(3,872)

### 4. Loss from Operations

Loss from operations has been arrived at after charging/(crediting):

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Exchange gain	(1,961)	(62)
Total staff costs	724	1,199
Depreciation	1,223	2,149
Amortisation of intangible assets	411	402
Auditors' Remuneration	206	193
Impairment loss on goodwill	3,572	-

## 5. Income Tax Expenses

The Group's primary operations are carried out in the PRC. The tax rate for the periods ended 30 June 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 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.

## 6. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

## 7. Loss per Share

The calculation of the Group's basic loss per share for the three months and six months ended 30 June 2007 and 2006 is based on the respective unaudited consolidated loss attributable to equity holders of HK\$3,631,000 (2006: HK\$1,519,000) and HK\$5,173,000 (2006: HK\$3,297,000).

The basic loss per share is based on the weighted average of 235,599,690 (2006: 235,599,690) and 235,599,690 (2006: 235,599,690) shares of HK\$0.10 each in issue during the three months and six months ended 30 June 2007 and 2006 respectively.

## 8. Trade Receivables

The Group generally allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
0-60 days	<b>125</b>	351
61-90 days	<b>111</b>	119
>90 days	<b>450</b>	211
	<b>686</b>	681

## 9. Related party transactions

Unsecured loans were granted by a director of a subsidiary of the Company and a shareholder for HK\$3 million and HK\$1 million respectively. The loans are unsecured, non-interest bearing and have no fixed repayment terms.

## 10. Share Capital

	Number of shares	HK'000
Authorised:		
At 31 December 2004	5,000,000,000	50,000
Share consolidation	(4,500,000,000)	–
At 31 December 2006 and 30 June 2007	500,000,000	50,000
Issued and fully paid:		
At 31 December 2004	1,570,664,600	15,707
Share consolidation	(1,413,598,140)	–
Rights shares issued	78,533,230	7,853
At 31 December 2006 and 30 June 2007	235,599,690	23,560

## 11. Operating Lease Commitments

At 30 June 2007, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	As at 30 June 2007 (Unaudited) HK\$'000	As at 30 June 2006 (Unaudited) HK\$'000
Within one year	354	280
In the second to fifth year inclusive	136	–
	<b>490</b>	<b>280</b>

## 12. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the first half of the year 2007, the Group continued to collaborate with China Unicom in providing information application services like interactive audio recording businesses, audio telephone book searching services and business communities. At present, the Group is under the influence of the policies of China Unicom on value-added business cooperation companies in areas like increasing the renting cost of lines of companies operating in value-added businesses and a more stringent promoting and advertising channel, etc. These impact on our Nicam project have caused the Group's revenue to decrease.

### Financial review

For the six months ended 30 June 2007, the Group's turnover decreased by 87.38% to approximately HK\$523,000 from approximately HK\$4,144,000 because of the suspension of Nicam project. Administrative expenses amounted to approximately HK\$4,980,000, including impairment loss on goodwill for approximately HK\$3,572,000, decreased from approximately HK\$5,145,000 in last corresponding period. The Group recorded a loss attributable to shareholders for the amount of approximately HK\$5,173,000 as compared to that of approximately HK\$3,297,000 for the same period last year.

### Outlook

During the second half of the year 2007, the Company, other than further enhancing its collaboration with China Unicom in telecom and information value-added businesses, will also accurately grasp the market changes and establish a flexible emergency system so as to utilize the Company's capability in searching and developing mobile voices to enlarge the Company's value-added businesses.

### Segmental information

Details have been set out in Note 3 "Business and Geographical Segments" under "Notes to the consolidated financial statements". During the period under review, the turnover represents sales of voice portal gateway facilities in communication and voice portal application software and are all generated from the PRC market.

### Charge on Group assets and contingent liabilities

There was no charge on the Group's assets and no significant contingent liabilities as at 30 June 2007.

**Exposure to fluctuations in exchange rates**

All of the Group's assets, liabilities and transactions are denominated either in Hong Kong dollars or Renminbi (RMB). The directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging or other alternatives have been implemented.

**Gearing ratio**

As at 30 June 2007, the Group did not have any long-term debts and its gearing ratio is zero.

**Liquidity and financial resources**

The Group financed its business operations with internally generated cash flows and unsecured loans. As at 30 June 2007, the Group's cash and cash equivalents balance was approximately HK\$1,053,000. Current assets and current liabilities amounted to approximately HK\$2,033,000 and HK\$6,581,000 respectively. The equity attributable to equity holders of the Company amounted to approximately HK\$22,352,000 as at 30 June 2007 as compared to HK\$28,237,000 as at 31 December 2006.

**Capital structure**

There has been no change in the capital structure of the Company for the six months ended 30 June 2007.

**Significant investments**

As at 30 June 2007, the Group did not have any significant investments.

**Material acquisitions and disposals**

Save as disclosed above, the Group undertook no material acquisition or disposal.

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

As at 30 June 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 30 June 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:

### 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 <i>(Note 1)</i>	–

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 30 June 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

As at 30 June 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.

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares of HK\$0.1 each</b>	<b>Approximate percentage of holding</b>
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 30 June 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.

## 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 six months ended 30 June 2007.

## 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 six months ended 30 June 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 30 June 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, 9 August 2007