



藍帆科技控股有限公司*

LINEFAN TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

Stock Code: 8166

Third Quarterly 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 revenue decreased to HK\$1,459,000 for the nine months ended 30 September, 2007, representing a decrease of approximately 72% as compared to the corresponding period in 2006.

Unaudited net loss attributable to equity holders of the Linefan Technology Holdings Limited (the "**Company**") amounted to approximately HK\$5,570,000 for the nine months ended 30 September, 2007, representing an increase of HK\$1,198,000, approximately 27% as compared with that amounted to approximately HK\$4,372,000 for the nine months ended 30 September, 2006.

The board of directors (the "**Board**") of the Company does not recommend the payment of an interim dividend for the nine months ended 30 September, 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 and nine months ended 30 September, 2007 together with the comparative figures for the corresponding period in 2006.

CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue	2	936	1,146	1,459	5,290
Cost of sales		(182)	(535)	(983)	(3,015)
Gross profits		754	611	476	2,275
Other operating income		51	1	149	262
Distribution costs		(8)	(331)	(21)	(983)
Administrative expenses		(1,194)	(1,970)	(6,174)	(7,115)
Loss from operations		(397)	(1,689)	(5,570)	(5,561)
Finance costs		-	-	-	-
Loss before taxation		(397)	(1,689)	(5,570)	(5,561)
Income tax expenses	3	-	-	-	-
Loss for the period		(397)	(1,689)	(5,570)	(5,561)
Loss attributable to:					
Equity holders of the Company		(397)	(1,075)	(5,570)	(4,372)
Minority interests		-	(614)	-	(1,189)
		(397)	(1,689)	(5,570)	(5,561)
Loss per share	5				
- Basic (in HK cents)		(0.17)	(0.46)	(2.36)	(1.86)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Special reserve	Statutory reserve	Exchange reserve	Accumulated losses	Total	Minority interest	Total equity
	<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>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 acquisition of subsidiary not recognized in previous year	-	-	-	-	-	-	-	-	267	267
Exchange difference arising on translation of PRC operations	-	-	-	-	-	(69)	-	(69)	16	(53)
Loss for the period	-	-	-	-	-	-	(4,372)	(4,372)	(1,189)	(5,561)
At 30 September, 2006	23,560	54,459	3,970	3,324	3,029	(153)	(59,378)	28,811	2,615	31,426
At 1 January, 2007	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	-	-	-	-	-	(1,370)	-	(1,370)	-	(1,370)
Loss for the period	-	-	-	-	-	-	(5,570)	(5,570)	-	(5,570)
At 30 September, 2007	23,560	54,459	3,970	3,324	3,029	(1,497)	(65,548)	21,297	-	21,297

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 Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable disclosure individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements provisions of GEM Listing Rules.

For nine months ended 30 September, 2007, the Group has adopted all the new and revised HKFRSs issued by HKICPA that are relevant to its operations and effective for the current accounting period of the Group. 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 nine months ended 30 September, 2007 and the same period in last year.

The basis of preparation and accounting policies adopted for the presentation of the third quarterly results of the year 2007 are consistent with those adopted by the Group in its annual financial statement for the year ended 31 December, 2006.

2. Revenue

Revenue represents sale values of voice portal gateway facilities in communication, voice portal application software, other system and software related service including tel-voice-xml securities enquiries system software and the provision of information service income less discounts and value added tax.

	For the three months ended 30 September 2007 (Unaudited) HK\$'000		For the nine months ended 30 September 2007 (Unaudited) HK\$'000	
		2006 (Unaudited) HK\$'000		2006 (Unaudited) HK\$'000
Other system and software related service	849	33	849	302
Voice portal gateway facilities in communication and voice portal application software	87	1,113	610	4,988
	936	1,146	1,459	5,290

3. Income Tax Expenses

The Group's primary operations are carried out in PRC. The tax rate for the periods ended 30 September, 2007 and 2006 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-Technology Enterprise by the Beijing Municipal Government in 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. Those losses can be carried forward to offset against future profits for a period of five years.

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

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

4. Dividend

The Board does not recommend the payment of interim dividend for nine months ended 30 September, 2007. (2006: nil)

5. Loss per Share

The calculation of the Group's basic loss per share for the three months and nine months ended 30 September, 2007 and 2006 is based on the respective unaudited consolidated loss attributable to equity holders of the Company HK\$397,000 (2006: HK\$1,075,000) and HK\$5,570,000 (2006: HK\$4,372,000), respectively.

The basic loss per share is based on the weighted average of 235,599,690 (2006: 235,599,690) shares of HK\$0.1 each in issue during the three months and nine months ended 30 September, 2007 and 2006, respectively.

No diluted loss per share was presented for the three months and nine months ended 30 September 2007 as no share options granted by the Company were outstanding.

No diluted loss per share was presented for the corresponding period in 2006 as there were no potential ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the first half of the year 2007, the Group continued to collaborate with China Unicom in providing information application services like interactive audio recording business, audio telephone book searching services and business communities. However, in third quarter of the year 2007, there had been a drop in business in the value-added voice service of the Group due to the influences of the policy changes 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. Hence, these impact on our Nicam project have caused the Group's revenue to decrease.

In this regard, the Company has been seeking to diversify its business into other value-added services with other business partners, and we are pleased to report that progress has been made in the areas of information service and software development.

Financial review

For the nine months ended 30 September, 2007, the Group's turnover decreased by HK\$3,831,000 from HK\$5,290,000 for the nine months ended 30 September 2006 to HK\$1,459,000 for the nine months ended 30 September, 2007, which represented by approximately 72% because of the suspension of Nicam project.

The gross profit ratio in previous nine months was decreased by 10% from 43% for the period ended 30 September 2006 to 33% for the period ended 30 September, 2007.

The distribution costs were significantly decreased in relating to a great drop in the Group's turnover. On the other hand, the administrative expenses for the nine months ended 30 September, 2007 amounted to approximately HK\$6,174,000 including the impairment loss on goodwill for approximately HK\$4,938,000, which decreased slightly as compared with the last corresponding period of the year 2006.

As a result, the Group recorded a loss attributable to equity holders of the Company for the amount of approximately HK\$5,570,000 as compared to that of approximately HK\$4,372,000 for the corresponding period in last year.

Outlook

Looking forward, the Company will take a more proactive role to identify and solicit new strategic investors with the aim of establishing a dynamic business model with greater flexibility in response to market changes. The Company will leverage on its human resources in technology advancement and their capability in research and development in order to expand more value-added services business in the nearly future. On the other hand, the Company will also look for new business opportunities or other businesses that could improve the existing performance of our Company.

On 23rd August, 2007, the Company and Dahua International (Group) Limited (the "**Offeror**") entered into a share subscription agreement ("**Share Subscription Agreement**"), pursuant to which the Company agreed to issue and the Offeror agreed to subscribe for 53,700,000 new shares ("**New Share(s)**") at the subscription price of HK0.1 per New Share at a cash consideration of HK\$5.37 million.

Pursuant to the convertible preference shares subscription agreement ("**CP Shares Subscription Agreement**") dated 23 August 2007 (as supplemented by an agreement dated 29 August 2007) made between the Company and the Offeror, the Company agreed to issue and the Offeror agreed to subscribe for 173,913,043 convertible preference shares ("**CP Share(s)**") of HK\$0.1 each in the capital of the Company at a subscription price of approximately HK\$0.115 per CP Share at an aggregate cash consideration of HK\$20 million.

On 30 August, 2007, the Company announced that the Board proposed to implement the capital restructuring ("**Capital Restructuring**") which comprise the share consolidation, the capital reduction and the share premium cancellation; the adoption of re-stated constitutional documents ("**Adoption of Re-stated Constitutional Documents**") and the change of domicile ("**Change of Domicile**"). The abovementioned proposals have been approved by the shareholders of the Company in an extraordinary general meeting ("**Extraordinary General Meeting**") held on 15 October, 2007 and took effect on 29 October 2007.

The subscription of New Shares and subscription of CP Shares have been approved by the shareholders of the Company in the Extraordinary General Meeting and they are expected to be completed in early November, 2007. Details of the above Change of Domicile, Capital Restructuring, Share Subscription Agreement, CP Shares Subscription Agreement and Adoption of Re-stated Constitutional Documents are set out in an announcement dated on 30 August, 2007 jointly issued by the Company and the Offeror and the circular of the Company dated 21 September, 2007.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 September, 2007, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the directors or chief executive 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, debt securities, including debentures, of the Company or any other body corporate, and none of the directors and chief executive of 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 September, 2007, the interest and short positions of each director 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 required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV 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 relating to securities transactions by the Directors was as follows:

Long positions in the Shares of the Company

Name of director or chief executive	The Company/ name of associated corporation	Capacity	Number of shares held <i>(Note 1)</i>	Approximate Percentage of shareholding
Zhu Guang Bo	The Company	Interest of controlled corporation	30,660,000 Shares (L) <i>(Note 2)</i>	13.01%

Notes:

1. The letter "L" represents the interests in Shares or underlying Shares of the Directors or chief executive.
2. These Shares were legally held by World Develop Limited, a company wholly-owned by Zhu Guang Bo, an executive Director.

Save as disclosed above, as at 30 September, 2007, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV 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 relating to the securities transactions by directors.

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

So far as was known to the Directors, as at 30 September, 2007, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Name	Capacity	Number of shares <i>(Note 1)</i>	Approximate percentage of holding
Lu Wen Bin	Beneficial owner	44,533,911 Shares (L)	18.90%
World Develop Limited	Beneficial owner	30,660,000 Shares (L) <i>(Note 2)</i>	13.01%
DaHua International (Group) Limited	Beneficial owner	2,276,130,430 Shares (L) <i>(Note 3)</i>	966.10%
Dai Fan	Beneficial owner	11,725,000 Shares (L)	4.98%
	Interest of controlled corporation/Interest of spouse	2,276,130,430 Shares (L) <i>(Note 3)</i>	966.10%
Li Yijin	Interest of spouse	11,725,000 Shares (L) <i>(Note 4)</i>	4.98%
	Interest of controlled corporation/Interest of spouse	2,276,130,430 Shares (L) <i>(Note 3)</i>	966.10%

Notes:

1. The letter "L" represents the person's interests in shares of the Company.
2. World Develop Limited is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Zhu Guang Bo, an executive Director.

3. These Shares comprise 537,000,000 Shares (equivalent to 53,700,000 New Shares agreed to be allotted and issued to DaHua International (Group) Limited pursuant to the Share Subscription Agreement entered into between the Company and the Offeror on 23 August 2007) and 1,739,130,430 Shares (equivalent to 173,913,043 Shares that may be allotted and issued upon conversion in full of the CP Shares agreed to be allotted and issued to DaHua International (Group) Limited under the CP Shares Subscription Agreement entered into between the Company and the Offeror on 23 August 2007 at an initial conversion price of HK\$0.115 each CP Share (subject to adjustment)). The entire issued share capital of DaHua International (Group) Limited is equally owned by Dai Fan and his wife, Li Yijin.
4. Li Yijin is the wife of Dai Fan and is therefore deemed to be interested in these shares of the Company held by Dai Fan.

Save as disclosed above, as at 30 September, 2007, no other person (other than the directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of SFO.

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"; The principal 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 on 27 January, 2004 at an exercise price of HK\$0.035 each and 92,900,000 options have been lapsed until 14 November, 2005. For the period under review, no new share options in the existing scheme were granted to existing employees or directors.

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.

CORPORATE GOVERNANCE PRACTICES

Mr. Wang Yong assumes the role of both the chairman and the chief executive officer of Company. The Board is of the view that this has not compromised accountability and independent decision-making. The Board level expresses its view that it is in the best interests of the Group to separate two roles into different persons so that the Board can have the benefit of a chairman who is to provide business knowledge and decision-making to the Board and the chief executive officer is capable of guiding discussions and brief to the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management. Hence, Mr. Dai Fan, who is proposed to be appointed an additional executive Director and chief executive officer during the forthcoming period. 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 nine months ended 30 September, 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules governing dealings by directors in listed securities of the Company ("dealing 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 nine months ended 30 September, 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 is currently composed of Doctor Chan, Peter Yat Tung, 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 to approve the financial results. The Group's unaudited consolidated results for the period ended 30 September, 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

2 November, 2007