藍帆科技控股有限公司*

LINEFAN TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)
Stock Code: 8166

08
FIRST QUARTERLY REPORT

* For Identification Purpose Only

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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Linefan Technology Holdings Limited ("Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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 increased to approximately HK$819,000 for the three months ended 31 March 2008, representing an increase of approximately 135% as compared to the corresponding period in 2007.

Unaudited loss attributable to equity holders amounted to HK$1,366,000 for the three months ended 31 March 2008.

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the three months ended 31 March 2008.

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 2008 together with the comparative figures for the corresponding period in 2007.

CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March **2008** **(Unaudited)** ***HK$'000***	2007 (Unaudited) *HK$'000*
Revenue	*3*	**819**	349
Cost of sales		**(348)**	(477)
Gross profit/(loss)		**471**	(128)
Other operating income		**127**	48
Distribution costs		**0**	(10)
Administrative expenses		**(1,599)**	(1,451)
Loss from operations		**(1,001)**	(1,541)
Finance costs	*4*	**(365)**	(1)
Loss before income taxation		**(1,366)**	(1,542)
Income tax expenses	*5*	**–**	–
Loss for the period		**(1,366)**	(1,542)
Loss attributable to:			
Equity holders of the Company		**(1,366)**	(1,542)
Loss per share			
– Basic (in HK cents)	*7*	**(1.8)**	(6.5)
– Diluted (in HK cents)	*7*	**N/A**	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2008

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	Equity component of convertible preference shares	Special reserve	PRC statutory reserve	Foreign currency translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 January 2007	23,560	54,459	3,970	–	3,324	3,029	(127)	(59,978)	28,237
Exchange difference arising on translation of PRC operations	–	–	–	–	–	–	(74)	–	(74)
Loss for the period	–	–	–	–	–	–	–	(1,542)	(1,542)
Balance as at 31 March 2007	23,560	54,459	3,970	–	3,324	3,029	(201)	(61,520)	26,621
Balance as at 1 January 2008	7,726	–	3,970	4,121	6,026	3,029	3,164	(9,584)	18,452
Exchange difference arising on translation of PRC operations	–	–	–	–	–	–	1,114	–	1,114
Loss for the period	–	–	–	–	–	–	–	(1,366)	(1,366)
Balance as at 31 March 2008	**7,726**	**–**	**3,970**	**4,121**	**6,026**	**3,029**	**4,278**	**(10,950)**	**18,200**

Notes:

1. Organisation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Company law of the Cayman Islands on 30 November 2000. The shares of the Company have been listed on GEM since 5 February 2002. The Company was continued into Bermuda with limited liability with effect from 29 October 2007 after the proposed change of domicile was approved by the shareholders of the Company on 15 October 2007.

2. Principal Accounting Policies and Basis of Preparation

The Group's unaudited consolidated results have been prepared under the historical convention, as modified for the revaluation of financial instruments which have been measured at fair value and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by 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 unaudited quarterly consolidated results are consistent with those adopted by the Group in its annual financial statement for the year ended 31 December 2007.

The Group has not applied the following new and revised HKFRSs, HKASs and interpretations that have been issued but are not yet effective, in the first quarterly financial statements.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23	Borrowing costs
HKFRS 8	Operating Segments
HKFRS (IFRIC) – Int 13	Customer loyalty programmes

HKAS 1, HKAS 23 and HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009.

HK (IFRIC) – Int 13 shall be applied for annual periods beginning on or after 1 July 2008.

The Group expects that the adoption of the above policy is unlikely to have a significant impact on the Group's financial statements for the period in which the Group initially adopted such policies.

3. Revenue

Revenue represents sales values of voice portal gateway facilities in communication and voice portal application software, other system and software development related service and provision for information service less discounts and value added tax.

	For the three months ended 31 March	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Voice portal gateway facilities in communication and voice portal application software	**95**	349
Other system and software development related service	**502**	–
Provision for information service	**222**	–
	819	349

4. Finance costs

	For the three months ended 31 March	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Effective interest on convertible preference shares	**365**	–
Interest on bank borrowings	**–**	1
	365	1

5. Income tax expenses

The Group's primary operations are carried out in the PRC. The tax rate for the period ended 31 March 2008 and 2007 respectively applicable to the Group is 25% and 33% respectively, except for Unlimited Business Opportunity Communications Technology Company Limited, a PRC operating subsidiary of the Group, which was officially recognized 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 was also eligible for full exemption from income tax for its first three years of operations, i.e. 2002 to 2004. The PRC subsidiaries of the Group have incurred losses for the period and no provisions for PRC income tax are required. These losses can be carried forward to offset against future profits for a period of five years.

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company and its subsidiary operated in Hong Kong have made no assessable profit for the period.

According to the new corporate income tax law and implementation rule promulgated and released by the government of PRC on 16 March 2007 and 6 December 2007 respectively, the standard corporate income tax rate for PRC's enterprises will be reduced from 33% to 25% with effect from 1 January 2008.

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

6. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: nil).

7. Loss per share

The calculation of the Group's basic loss per share for the three months ended 31 March 2008 and 2007 respectively is based on the respective unaudited consolidated loss attributable to equity holders of HK$1,366,000 (2007: HK$1,542,000).

The basic loss per share on the weighted average of 77,259,969 (2007: restated 23,559,969) shares of HK$0.1 each in issue during the three months ended 31 March 2008 and 2007 respectively.

The comparative figures of basic loss per share for the period ended 31 March 2007 is restated to take into effect of share consolidation on the basis of every ten shares in issue being consolidated into a consolidated share, details of which are set out in the circular dated 21 September 2007.

No diluted loss per share for the period ended 31 March 2008 and 2007 respectively has been presented as the Company had no dilutive potential shares during the period ended 31 March 2008 and 2007 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the past three months, the Group maintained limited collaboration with China Unicom in value-added telecommunications business in the view that there would be an upturn. The Group has also been active in cost control and business expansion in order to improve the earnings of the Group. It has been active in opening up applied markets for the industry and has undertaken technology development services by utilizing the Group's own audio search technology. Gradual outcomes have been attained.

Financial Review

For the three months ended 31 March 2008, the Group's revenue increased by 135% to approximately HK$819,000 from approximately HK$349,000 because the Group developed new market services by utilizing its own advantages on audio search technology, even though turnover from China Unicom in value-added telecommunications business decreased as a result of reduced collaboration with China Unicom.

Other revenue greatly increased by 165% from approximately HK$48,000 to approximately HK$127,000 as the costs of line-rental charged to value-added business partner by China Unicom in the past was refunded to a subsidiary of the Group for the three months ended 31 March 2008.

Administrative expenses for the three months ended 31 March 2008 increased by approximately 10% as compared to that of the corresponding period for the reason of high inflation rate.

In addition, finance costs for the three months ended 31 March 2008 increased by 36,400% from approximately HK$1,000 to approximately HK$365,000 because the Company issued convertible preference shares on 6 November 2007, which is amortized at an effective interest rate of 10.27% per annum.

The Group recorded a loss attributable to equity holders of the Company in the amount of approximately HK$1,366,000, representing a decrease of approximately 11% as compared to the amount of approximately HK$1,542,000 for the corresponding period last year.

Liquidity and Financial Resources

The Group financed its business operations with internally generated cash flows, unsecured loans and issued new shares and convertible preference shares. During the period under review, the Group operates a prudent treasury measure to ensure that no unnecessary risks are taken with the Group's assets. No investments other than cash and other short-term bank deposits. As at 27 March 2008, the Group initialed to make a structured deposit of HK$20,000,000 placed in a Hong Kong licensed bank for one month to earn higher interest at a guarantee interest rate of 0.8% per annum as capital maintenance deposits. Afterwards, the Board regularly reviews this measure in a conservative approach. As at 31 March 2008, the cash and cash equivalents balance of the Group was approximately HK$22,835,000 (31 December 2007: HK$23,695,000).

Capital Structure

As at 31 March 2008, the issued share capital of the Company comprised HK$7,725,996.90 divided into 77,259,969 ordinary shares of HK$0.1 each and HK$17,391,304.30 divided into 173,913,043 convertible preference shares ("CP Shares") of HK$0.1 each. During the period under review, the existing capital structure had no changes and the Board announced that none of CP Shares were converted into ordinary shares.

Outlook

Telecommunication business of the PRC is now facing massive changes. China Mobile has carried out the tentative operation in various provinces of the PRC for the 3G mobile communication business so as to accumulate experiences before it is formally launched nationwide. Moreover, the integration of telecommunication network, television broadcasting network and internet in the PRC has been accelerated and is expected to be accomplished very soon. All these progresses will certainly bring new business opportunities to the related value-added services, and this in turn will dynamically facilitate the business development of the Company.

Furthermore, the Company will make use of the capital reorganization carried out last year and devote every effort on searching for more investment opportunities as well as strategic partnership. This will establish a new platform for the development of the Company.

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

Save as disclosed in this report, as at 31 March 2008, neither the Company nor any of its subsidiaries was 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, debts securities, including debentures, of the Company or its associated corporation(s), and none of the directors and chief executive of the Company, 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 2008, the interest and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures 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 Divisions 7 and 8 of Part XV of the SFO or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Name of director or chief executive	**The Company/ name of associated corporation**	**Capacity/ nature of interest**	**Number of Shares** *(Note 1)*		**Approximate percentage of interests**
Zhu Guang Bo	Company	Interest of controlled corporation	3,066,000 shares (each a "Share") of HK$0.1 each of the Company *(Note 2)*	(L)	3.97%
Dai Fan	Company	Beneficial owner	1,162,500 Shares	(L)	1.50%
	Company	Interest of controlled corporation/ Interest of spouse	227,628,043 Shares *(Notes 3 and 4)*	(L)	294.63%
	DaHua	Beneficial owner	1 share of US$1 each	(L)	50%
	DaHua	Interest of spouse	1 share of US$1 each *(Note 4)*	(L)	50%

Notes:

1. The letter "L" represents the interests in shares or underlying shares of the Company or its associated corporation.

2. Theses Shares were held by World Develop Limited, a company wholly-owned by Mr. Zhu Guang Bo, an executive Director.

3. These Shares comprise 53,715,000 Shares held by DaHua International (Group) Limited ("DaHua") and 173,913,043 conversion Shares that may be allotted and issued to DaHua upon conversion in full at an initial conversion price of HK$0.115 per conversion Share of the Company's unlisted CP Shares allotted and issued to DaHua pursuant to a subscription agreement entered into between the Company and DaHua on 23 August 2007 (as supplemented by an agreement dated 29 August 2007). The entire issued share capital of DaHua is equally owned by Mr. Dai Fan and his wife, Ms. Li Yijin.

4. Mr. Dai Fan is the spouse of Ms. Li Yijin and is therefore deemed to be interested in the shares held by Ms. Li Yijin.

Saved as disclosed above, as at 31 March 2008, 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the 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 anytime during the period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract of significance entered into between the Group and a controlling shareholder or any of its subsidiaries subsisted at end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, so far as was known to the directors of the Company, the following persons, 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 were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of person	Capacity/ nature of interest	Number of Shares *(Note 1)*	Approximate percentage of interest
Lu Wen Bin	Beneficial owner	4,439,391 shares (L)	5.76%
DaHua	Beneficial owner	227,628,043 shares (L) *(Note 2)*	294.63%

Note:

1. The letter "L" represents the interests in Shares of HK$0.1 each in the share capital of the Company or the underlying shares of the Company.

2. These Shares comprise 53,715,000 Shares held by DaHua and 173,913,043 conversion Shares that may be allotted and issued upon conversion in full at an initial conversion price of HK$0.115 per conversion Share of unlisted CP Shares allotted and issued to DaHua pursuant to a subscription agreement entered into between the Company and DaHua on 23 August 2007 (as supplemented by an agreement dated 29 August 2007). The entire issued share capital of DaHua is equally owned by Mr. Dai Fan and his wife, Ms. Li Yijin.

Other than as disclosed above, as at 31 March 2008, no other person had an interest or short position in the shares and underlying shares of the Company.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period under review, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the directors, the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has complied with all the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 15 to the GEM Listing Rules during the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in such code of conduct regarding securities transactions by the directors throughout the three months ended 31 March 2008.

AUDIT COMMITTEE

The Company established an audit committee on 31 July 2001. It has written terms of reference in compliance with the code provisions of the CG Code. 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 comprises Mr. Chan Yat Tung, Mr. Feng Jue Min and Mr. Zhang Gong who are the independent non-executive directors of the Company. The chairman of the audit committee is Mr. Chan Peter Yat Tung.

The unaudited consolidated results of the Group for the three months ended 31 March 2008 have been reviewed by the audit committee, which was of the opinion that the preparation 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 May 2008