

••• 2008 •
Third Quarterly Report



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

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



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*This report, for which the directors (the “**Directors**”) of Linefan Technology Holdings Limited (the “**Company**”) 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 increased to approximately HK\$2,459,000 for the nine months ended 30 September 2008, representing an increase of approximately 69% as compared to the corresponding period in 2007.

Unaudited net loss attributable to equity holders of the Company amounted to approximately HK\$4,737,000 for the nine months ended 30 September 2008, representing a decrease of HK\$833,000, approximately 15% as compared to the corresponding period in 2007.

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 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 and nine months ended 30 September 2008 together with the comparative figures for the corresponding period in 2007.

CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	3	774	936	2,459	1,459
Cost of sales		(444)	(182)	(1,213)	(983)
Gross profits		330	754	1,246	476
Other operating income		102	51	304	149
Distribution costs		–	(8)	(1)	(21)
Administrative expenses		(2,144)	(1,194)	(5,165)	(6,174)
Loss from operations		(1,712)	(397)	(3,616)	(5,570)
Finance costs	4	(383)	–	(1,121)	–
Loss before taxation		(2,095)	(397)	(4,737)	(5,570)
Income tax expenses	5	–	–	–	–
Loss for the period		(2,095)	(397)	(4,737)	(5,570)
Loss attributable to:					
Equity holders of the Company		(2,095)	(397)	(4,737)	(5,570)
Loss per share	7				
– Basic (in HK cents)		(2.71)	(1.69)	(6.13)	(23.64)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 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 transaction reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	-	-	(1,370)	-	(1,370)
Loss for the period	-	-	-	-	-	-	-	(5,570)	(5,570)
At 30 September 2007	23,560	54,459	3,970	-	3,324	3,029	(1,497)	(65,548)	21,297
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	-	-	-	-	-	-	936	-	936
Loss for the period	-	-	-	-	-	-	-	(4,737)	(4,737)
At 30 September 2008	7,726	-	3,970	4,121	6,026	3,029	4,100	(14,321)	14,651

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 all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. 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 third quarterly financial statements.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKFRS 3 (Revised)	Business combinations
HKFRS 8	Operating segments
HK (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 and HKFRS 3 shall be applied for annual periods beginning on or after 1 July 2008 and 1 July 2009 respectively.

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 invoice value less discounts and value added tax.

	For the three months ended 30 September 2008		For the nine months ended 30 September 2008	
	(Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
* Mobile digital multimedia system and software related service relating to voice search engine portal	492	709	1,464	709
* Voice portal gateway facilities in communication and voice portal application software	77	197	322	720
* Provision for information service relating to voice search engine portal	205	30	673	30
	774	936	2,459	1,459

* They are grouped under voice portal segment operated by a major subsidiary, Unlimited Business Opportunity Communications Technology Company Limited.

4. Finance Costs

	For the three months ended 30 September 2008		For the nine months ended 30 September 2008	
	(Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Effective interest on convertible preference shares	383	–	1,121	–

5. Income Tax

The Group's primary operations are carried out in the PRC. The tax rate for the period ended 30 September 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%. 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.

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 nine months ended 30 September 2008 (2007: nil).

7. Loss per Share

The calculation of the Group's basic loss per share for the three months and nine months ended 30 September 2008 and 2007 respectively is based on the respective unaudited consolidated loss attributable to equity holders of approximately HK\$2,095,000 (2007: HK\$397,000) and HK\$4,737,000 (2007: HK\$5,570,000), and the weighted average of 77,259,969 (2007: restated 23,559,969) shares of HK\$0.1 each in issue during the three months and nine months ended 30 September 2008 and 2007.

The comparative figures of basic loss per share for the three months and nine months ended 30 September 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 of the Company dated 21 September 2007.

No diluted loss per share for the three months and nine months ended 30 September 2008 and 2007 respectively has been presented as the Company had no dilutive potential shares during the three months and nine months ended 30 September 2008 and 2007 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group continued to operate the value-added telecommunication business with the subsidiaries of China Unicom. However since the reconstruction of the telecom operators in China which might create some sort of uncertainty, the revenue just maintains and keeps steady.

Financial Review

For the nine months ended 30 September 2008, revenue of the Group increased by approximately HK\$1,000,000 to approximately HK\$2,459,000, represented an increase of approximately 69% as compared to the corresponding period in 2007. Such increase was mainly due to change of the Group's strategy in exploring new market by taking its advantages of voice portal software technology.

Other revenue increased by approximately HK\$102,000 to approximately HK\$304,000 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 nine months ended 30 September 2008, administrative expenses decreased by approximately HK\$1,009,000, represented a decrease of approximately 16% as compared to the period ended 30 September 2007, which was mainly contributed by a decrease in impairment loss on goodwill in respect of subsidiaries.

In addition, finance costs increased by approximately HK\$1,121,000 (2007: Nil) which was attributable to the effective interest on convertible preference shares ("CP Shares ") at the rate of 10.27% per annum.

Accordingly, the Group recorded a loss attributable to equity holders of the Company approximately HK\$4,737,000 as compared to that of approximately HK\$5,570,000 for the corresponding period in last year.

Liquidity and financial Resources

The Group financed its business operations with internally generated cash flows, unsecured loans, issued new shares and CP Shares. During the period under review, the Group operated a prudent financial measure to ensure that the Group financial resources would not take unnecessary risks other than cash and placement of bank deposits in Hong Kong licensed bank.

Capital Structure

As at 30 September 2008, the issued share capital of the Company had no significant changes, the company's issued ordinary share capital is HK\$7,725,996.90 and the number of its issued ordinary shares is 77,259,969 shares. During the period under review, the existing capital structure had no change and none of CP Shares were converted into ordinary shares, the number of CP shares is 173,913,043 shares which are still outstanding as at 30 September 2008.

Business Outlook

There are currently three models for 3G technology in China, the CDMA 2000, WCDMA and home-made TD-SCDMA. The present development of 3G technology in China is still in a pre-mature stage. Since the development stage may be quite prolonged and uncertain, the Group will still keep monitoring the development of the value-added telecommunication business.

However in such pre-mature stage, the future development of the 3G technology in China may also generate some other tremendous opportunities. The related business may be generated from the development of 3G network infra-structure and wide-spreading of various kinds of advanced hand-held terminals incorporating the use of data and voice. The tendency of the advanced manufacturing industry will likely be booming up as a result. Instead of merely focusing on value-added telecommunication business, the Group is planning on involving in the supply chain business by providing total technical service (TTS) for the advanced manufacturing industry in telecommunication and technology market. This is to complement the supply chain for providing sufficient total technical supporting service for the industry which will be well benefited to provide up-to-date service in order to capture the vast business opportunities in the competitive market environment.

Despite that we maintain to seek for improvement in the telecommunication and technology business, the Group is striving to search for any possibility to establish collaboration with certain potential investors so as to create a better platform for the further development of the Group.

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

As at 30 September 2008, 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, debts 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 exercised any such right.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2008, the interest and short positions of each director 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 (including interests or 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 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

(a) Directors' Long Positions in the shares of the Company

There was no Directors' long position as at 30 September 2008.

(b) Directors' Short Positions in the shares of the Company

There was no Directors' short position as at 30 September 2008.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 2008, the following persons or companies (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 SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Class of shares	Number of shares and underlying shares	Approximate percentage of holding
Top Status International Limited ("Top Status") (Note 1)	Beneficial owner	Ordinary shares	53,727,600	69.54% (Note 2)
	Beneficial owner	Convertible preference shares ("CP Shares")	173,913,043 (Note 3)	225.10%

Notes:

1. Top Status International Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly owned and beneficially owned by China Railway Logistics Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM.
2. As at 30 September 2008, the Company's issued ordinary share capital is HK\$7,725,996.90 and the number of its issued ordinary shares is 77,259,969 shares.
3. 173,913,043 shares are CP Shares that may be allotted and issued to Top Status upon conversion in full at HK\$0.115 per conversion share of the Company's unlisted CP Shares. These CP Shares are outstanding as at 30 September 2008.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 September 2008, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CHANGE OF BOARD COMPOSITION, AUTHORISED REPRESENTATIVE, COMPLIANCE OFFICER AND MEMBERS OF AUDIT COMMITTEE

As at the date 30 September 2008, after the close of the mandatory unconditional cash offers by Excalibur Securities Limited on behalf of Top Status International Limited, which is a wholly owned subsidiary of China Railway Logistics Limited, the Board announces that with effect from 30 September 2008, the Board composition has changed as follows:

Mr. Wang Yong has resigned as the chairman of the Company, executive Director, authorized representative and compliance officer on 30 September 2008. Mr. Dai Fan has resigned as the executive Director and chief executive officer ("Chief Executive Officer") on 30 September 2008. Mr. Zhu Guang Bo has resigned as executive Director on 30 September 2008.

Mr. Chan, Peter Yat Tung, Mr. Feng Jue Min and Mr. Zhang Gong have resigned as independent non-executive Directors and members of audit committee of the Company ("Audit Committee") on 30 September 2008.

In the same day, Mr. Tsang Chi Hin has been appointed as an executive Director, authorised representative and compliance officer. Mr. Chu Yu Man, Philip has been appointed as an executive Director. Mr. Tang Shun Lam has been appointed as a non-executive Director and member of Audit Committee. Mr. Yeung Chi Tat and Mr. Cheung Tak Shum have been appointed as independent non-executive Directors and members of Audit Committee with effect from 30 September 2008. Mr. Yeung Chi Tat has been appointed as chairman of Audit Committee.

In addition, Mr. Tsang Chi Hin has been appointed as Chief Executive Officer and Mr. Tang Shun Lam has been appointed as the chairman of the Company, both were effective from 13 October 2008. Mr. Chow Pui Mau, William has been appointed as independent non-executive Director and member of Audit Committee with effect from 24 October 2008.

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 nine months ended 30 September 2008.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee on 31 July 2001 with written terms of reference. The primary duties of audit committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors namely, Mr. Yeung Chi Tat (chairman), Mr. Cheung Tak Shum and Mr. Chow Pui Mau, William and one non-executive Director, Mr. Tang Shun Lam.

The unaudited consolidated results of the Group for the nine months ended 30 September 2008 have been reviewed by the Audit Committee.

By Order of the Board

Tsang Chi Hin

Chief Executive Officer and Executive Director

Hong Kong, 31 October 2008

As at the date of this report, the chairman and non-executive Director is Tang Shun Lam; the Chief Executive Officer and executive Director is Mr. Tsang Chi Hin; the executive director is Mr. Chu Yu Man, Philip; and the independent non-executive Directors are Mr. Yeung Chi Tat, Mr. Cheung Tak Shum and Mr. Chow Pui Mau, William.