



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

(Continued in Bermuda with limited liability)

Stock Code: 8166

**2009**

○ First Quarterly Report

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the 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.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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\$10,262,000 for the three months ended 31 March 2009, representing an increase of approximately 1,153% as compared to the corresponding period in 2008.

Unaudited net loss attributable to owners of the parent amounted to approximately HK\$3,182,000 for the three months ended 31 March 2009, representing an increase of HK\$1,816,000, approximately 133% as compared to the corresponding period in 2008.

The board of directors (the "Board") of the Company does not recommend the payment of an interim dividend for the three months ended 31 March 2009.

## 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 2009 together with the comparative figures for the corresponding period in 2008.

### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Expressed In Hong Kong dollars)

		<b>For the three months ended 31 March</b>	
		<b>2009</b>	2008
	<i>Notes</i>	<b>\$'000</b>	<b>\$'000</b>
Revenue	3	<b>10,262</b>	819
Cost of sales		<b>(9,836)</b>	(348)
<hr/>			
Gross profit		<b>426</b>	471
Other revenue	3	-	127
Administrative expenses		<b>(3,156)</b>	(1,599)
Finance costs	4	<b>(420)</b>	(365)
<hr/>			
Loss before income tax		<b>(3,150)</b>	(1,366)
Income tax charge	5	<b>(32)</b>	-
<hr/>			
Loss for the period		<b>(3,182)</b>	(1,366)
<hr/>			
Attributable to:			
Owners of the parent		<b>(3,182)</b>	(1,366)
Minority interest		-	-
<hr/>			
Loss per share			
Basic (HK cents)	7	<b>(4.1)</b>	(1.8)
<hr/>			

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)***(Expressed In Hong Kong dollars)*

	<b>For the three months ended 31 March</b>	
	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
	<i>Notes</i>	
Loss for the period	<b>(3,182)</b>	(1,366)
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	-	1,114
<b>Total comprehensive income for the period</b>	<b>(3,182)</b>	(252)
Attributable to:		
Owners of the parent	<b>(3,182)</b>	(252)
Minority interest	-	-

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)***For the three months ended 31 March 2009 (Expressed in Hong Kong dollars)*

	Share capital	Share premium	Capital reserve	Equity component of convertible preference shares	Special reserve	Statutory reserve	Foreign currency transaction reserve	Accumulated losses	Attributable to owners of the parent	Minority Interest <i>(note)</i>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2008</b>	7,726	-	3,970	4,121	6,026	3,029	3,164	(9,584)	18,452	-	18,452
Total comprehensive income for the period	-	-	-	-	-	-	1,114	(1,366)	(252)	-	(252)
<b>At 31 March 2008</b>	7,726	-	3,970	4,121	6,026	3,029	4,278	(10,950)	18,200	-	18,200
<b>At 1 January 2009</b>	7,726	-	3,970	4,121	6,026	3,029	3,664	(29,605)	(1,069)	-	(1,069)
Total comprehensive income for the period	-	-	-	-	-	-	-	(3,182)	(3,182)	-	(3,182)
<b>At 31 March 2009</b>	<b>7,726</b>	<b>-</b>	<b>3,970</b>	<b>4,121</b>	<b>6,026</b>	<b>3,029</b>	<b>3,664</b>	<b>(32,787)</b>	<b>(4,251)</b>	<b>-</b>	<b>(4,251)</b>

*Note:*

*The share of losses by minority interest of the Group already up to their investments cost as at 31 March 2009 and 31 March 2008.*

## NOTES TO FINANCIAL STATEMENTS

*(Expressed in Hong Kong dollars)*

### 1. Organisation and operation

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 were listed on GEM since 5 February 2002. In the opinion of the Directors, its ultimate holding company is China Railway Logistics Limited (incorporated in the Bermuda) which is listed on the GEM. With effect from 10 April 2009, the Company has changed its head office and principal place of business in Hong Kong to Room 1301, 13/F, The Centre Mark, 287-299 Queen's Road Central, Hong Kong.

In the year ended 31 December 2007, the Company re-domiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile was approved by the shareholders of the Company on 15 October 2007 and the Company was continued into Bermuda with limited liability with effect from 29 October 2007.

The Company and its subsidiaries (the "Group") are engaged in the business of sales, development and implementation of non-structural knowledge integration systems, knowledge management ("KM") related network application systems and technology, provision of voice search engine portal and one-stop value chain services.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

### 2. Principal Accounting Policies and Basis of Preparation

The unaudited accounts have been prepared 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 are prepared under the historical cost convention.

The accounting policies and basis of preparation used in the preparation of the unaudited financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 2008 except for the following amendments and interpretations ("new HKFRSs") issued by HKICPA which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation
HKFRS 7	Financial instruments: Disclosures – Improving Disclosure about Financial Instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operations

The adoption of the above New HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited consolidated financial statements.

### 3. Revenue and other revenue

An analysis of the Group's revenue for the period is as follows:

	<b>(Unaudited)</b>	
	<b>For the three months ended 31 March</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenue:		
One-stop value chain services	<b>10,262</b>	–
Voice portal related services	–	819
	<b>10,262</b>	819
Other revenue:		
Subcontracting fees	–	38
Others	–	89
	–	127
	<b>10,262</b>	946



#### 4. Finance costs

	<b>(Unaudited)</b>	
	<b>For the three months ended 31 March</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	<i>HK\$'000</i>
Convertible preference shares interest	<b>387</b>	365
Interest for unsecured shareholder loan	<b>33</b>	–
	<b>420</b>	365

#### 5. Income tax charge

The Group's operations are carried out in both Hong Kong and PRC. The official applicable PRC tax rate for the period ended 31 March 2009 and 2008 respectively is 25%. However, certain subsidiaries in the Group are "Encourage Hi-Tech Enterprise" and entitle to a reduced corporate income tax rate of 15% from 1 January 2008. As the PRC subsidiaries of the Group were loss-making for the period ended 31 March 2009 and 31 March 2008, no provision for PRC income tax was made.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress of the PRC promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law of the PRC.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated 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 three months ended 31 March 2009 (2008: nil).

#### 7. Loss per Share

The calculation of basic loss per share for the three months ended 31 March 2009 and 2008 respectively is based on the unaudited consolidated loss attributable to owners of the parent of approximately HK\$3,182,000 (2008: HK\$1,366,000) and the weighted average of 77,259,969 (2008: 77,259,969) ordinary shares of HK\$0.1 each in issue during the three months ended 31 March 2009.

No diluted loss per share for the three months ended 31 March 2009 and 2008 has been presented as the convertible preference shares issued during the period had an anti-dilution effect on the basic loss per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview and Outlook

The first quarter of fiscal year 2009 was a very challenging one for the Group. The economy faces stagnation not only in Hong Kong but in the Greater China market. Such adverse economic situation tends to last for a certain period of time.

To cope with those corresponding unfavorable economic situation, the Group is striving to further develop the One-Stop Value Chain Provision business. The strategy is to enhance the cash flow, keep efficient cost control and enlarge the business value and competitiveness by providing our customers with total business solution in a cost-effective approach.

Despite that we stabilize our existing operations by generating more business, the Group will also diversify our existing business and identify if any possible valuable opportunities.

### Financial Review

For the three months ended 31 March 2009, the Group's revenue substantially increased by approximately 1,153% to approximately HK\$10,262,000, contributed by developing the new business model of being a One-Stop Value Chain Provision from approximately HK\$819,000.

Cost of sales for the period under review increased to approximately HK\$9,836,000 from approximately HK\$348,000 last year, representing an increase of approximately 2,726%. The increase was in line with the increase in revenue during the period.

Administrative expenses for the period under review increased to approximately HK\$3,156,000 from approximately HK\$1,599,000 last year, representing an increase of 97% as a result of the Company being restructuring.

Finance costs for the year under review increased to approximately HK\$420,000 from approximately HK\$365,000, representing an increase of 15% as the Company entered a loan agreement with interest bearing at HKD best lending rate for advance of funding of HK\$12 million from its ultimate holding company to provide additional working capital to the Group.

The Group recorded a loss attributable to shareholders of the Company in the amount of approximately HK\$3,182,000 as compared to the loss attributable to shareholders of the Company of approximately HK\$1,366,000 for the corresponding period last year.

As a result, loss per share was increased from HK1.8 cents for the three months ended 31 March 2008 to HK4.1 cents for the three months ended 31 March 2009. No diluted loss per share for the period ended 31 March 2009 and 2008 respectively.

## Liquidity and financial Resources

The Group financed its business operations with internally generated cash flows and unsecured loans. 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. As at 31 March 2009, the cash and cash equivalents balance of the Group was approximately HK\$20,329,000 (at 31 December 2008: HK\$11,457,000).

As at 31 March 2009, the Group had net liabilities of approximately HK\$4,251,000 (at 31 December 2008: HK\$1,069,000). The Group maintained net current assets of approximately HK\$10,914,000 (at 31 December 2008: HK\$13,230,000).

## Capital Structure

As at 31 March 2009, the Company's issued ordinary share capital was HK\$7,725,996.90 divided into 77,259,969 shares of HK\$0.10 each. The issued convertible preference share capital was HK\$17,391,304.30 divided into 173,913,043 shares of HK\$0.10 each and none of the convertible preference shares were converted into ordinary shares as at 31 March 2009.

The Group generally finances its operations with internally generated cash flows, unsecured loans facilities provided by related parties and the ultimate holding company and convertible preference shares.

On 11 March 2009, the Group entered a loan agreement for advance of funding of HK\$12 million from its ultimate holding company to provide additional working capital to the Group. The loan was unsecured, no fixed repayment term and with interest bearing at HKD best lending rate.

As of 31 March 2009, the total outstanding short-term liabilities and long-term debts stood at approximately HK\$15,633,000 (at 31 December 2008: HK\$3,600,000) and HK\$15,787,000 (at 31 December 2008: HK\$15,550,000) respectively. Apart from the loan from the ultimate holding company amounting to HK\$12 million is interest bearing at HKD best lending rate, the other short-term borrowings are interest-free and repayable on demand while the long-term debts representing the convertible preference shares are fixed-rate borrowings with a maturity of 4 years. The Group had no interest rate hedging arrangement during the period.

On 12 December 2008, the Company entered into a placing agreement with a placing agent to place 15,450,000 ordinary shares at the issued price of HK\$0.53 each. The Company had signed a supplemental agreement on 27 February 2009 to extend the long stop date of this transaction further from 27 February 2009 to 15 May 2009 (or such later date as may be agreed by the Company and the placing agent). The transaction was not yet completed as at 31 March 2009.

## **MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS**

On 15 January 2009, Anson Development Limited, a wholly-owned subsidiary of the Company, has entered into a Memorandum of Understanding with an independent third party in relation to cooperating, by way of (but not limited to) strategic partnership and alliance, financial support or equity investment, in the realms of waste-to-energy technology and services. Except the above said possible investment, there had been no material acquisitions and disposals of subsidiary during the period.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS**

As at 31 March 2009, the interests 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 (including interests or short positions which they have taken or deemed to have under such provisions 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:

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

There was no Directors' long position as at 31 March 2009

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

There was no Directors' short position as at 31 March 2009

## RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the section "Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations" above, at no time during the period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 March 2009, 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") <i>(Note 1)</i>	Beneficial owner	Ordinary shares	53,727,600	69.54% <i>(Note 2)</i>
	Beneficial owner	Convertible preference shares ("CP Shares")	173,913,043 <i>(Note 3)</i>	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 31 March 2009, 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 31 March 2009.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 31 March 2009, 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 5% 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.

## **REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the three months ended 31 March 2009, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **CHANGE OF COMPANY SECRETARY, AUTHORISED REPRESENTATIVE AND AGENT FOR SERVICE OF PROCESS IN HONG KONG AND RESIGNATION OF QUALIFIED ACCOUNTANT**

On 13 March 2009, Mr. Ling Chun Kwok has resigned as the company secretary, qualified accountant, authorized representative with the meaning under the Rule 5.24 of the GEM Listing Rules (the "Authorised Representative") and agent for service of process in Hong Kong under Part XI of Companies Ordinance, Chapter 32 of the laws of Hong Kong (the "Agent of Service of Process in Hong Kong"). In the same day, Mr. Cheung Yuk Chuen has been appointed as the company secretary, and Mr. Chu Yu Man, Philip has been appointed as the Authorized Representative and Agent of Service of Process in Hong Kong.

### **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 any significant competition with the business of the Group.

### **AUDIT COMMITTEE**

The Company established an audit committee of the Company (the "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 four independent non-executive Directors namely, Mr. Yeung Chi Tat (Chairman), Mr. Cheung Tak Shum, Mr. Chow Pui Mau, William and Mr. Lau Tin Cheung and one non-executive Director, Mr. Tang Shun Lam.

The unaudited consolidated results of the Group for the three months ended 31 March 2009 have been reviewed by the Audit Committee.

## POSSIBLE CHANGE IN THE ULTIMATE HOLDING COMPANY

On 29 December 2008, China Railway Logistics Limited (“CRL”), the ultimate holding company of the Company, announced that it had entered into a placing agreement on 15 December 2008 and a supplemental placing agreement on 22 December 2008, pursuant to which the placing agent has agreed to act as placing agent for the purpose of a private sale of 150,000,000 CP Shares at a price of HK\$0.53 per CP Share on a best effort basis to potential subscribers. On 16 March 2009, CRL announced that it had signed an extension letter to extend the date for fulfillment of all conditions precedents of the Placing (the “Long Stop Date”) from 15 March 2009 to 15 June 2009. Should the transaction be completed, there may be a possible change in the ultimate holding company of the Company.

By Order of the Board

**Tsang Chi Hin**

*Chief Executive Officer and Executive Director*

Hong Kong, 30 April 2009

*As at the date of this report, the Chairman and non-executive Director is Mr. 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, Mr. Chow Pui Mau, William and Mr. Lau Tin Cheung.*