



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

(Continued in Bermuda with limited liability)

Stock Code: 8166

Interim Report

2009

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.

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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 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\$30,754,000 for the six months ended 30 June 2009, representing an increase of approximately 1,725.2% as compared to the corresponding period in 2008.

Unaudited net loss attributable to owners of the parent amounted to approximately HK\$5,875,000 for the six months ended 30 June 2009, representing an increase of HK\$3,233,000, approximately 122.4% 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 six months ended 30 June 2009.

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board of directors (the "Board") would like to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months and six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Expressed in Hong Kong dollars)

| | Notes | For the three months ended 30 June | | For the six months ended 30 June | |
|-------------------------------|-------|---------------------------------------|----------------|-------------------------------------|----------------|
| | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Revenue | 3 | 20,492 | 866 | 30,754 | 1,685 |
| Cost of sales | | (20,124) | (421) | (29,960) | (769) |
| Gross profit | | 368 | 445 | 794 | 916 |
| Other revenue | 3 | 1 | 75 | 1 | 202 |
| Administrative expenses | | (2,506) | (1,423) | (5,662) | (3,022) |
| Finance costs | 5 | (546) | (373) | (966) | (738) |
| Loss before income tax | 6 | (2,683) | (1,276) | (5,833) | (2,642) |
| Income tax expenses | 7 | (10) | – | (42) | – |
| Loss for the period | | (2,693) | (1,276) | (5,875) | (2,642) |
| Attributable to: | | | | | |
| Owners of the parent | | (2,693) | (1,276) | (5,875) | (2,642) |
| Non-controlling interests | | – | – | – | – |
| | | (2,693) | (1,276) | (5,875) | (2,642) |
| Dividend | 8 | – | – | – | – |
| Loss per share | | | | | |
| – Basic (in HK cents) | 9 | (3.5) | (1.7) | (7.6) | (3.4) |
| – Diluted (in HK cents) | 9 | N/A | N/A | N/A | N/A |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Expressed in Hong Kong dollars)

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---------------------------------------|----------------|-------------------------------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Loss for the period | (2,693) | (1,276) | (5,875) | (2,642) |
| Other comprehensive income: | | | | |
| Exchange difference arising on translation of foreign operations | 1 | 794 | 1 | 1,908 |
| Total comprehensive income for the period | (2,692) | (482) | (5,874) | (734) |
| Attributable to: | | | | |
| Owners of the parent | (2,692) | (482) | (5,874) | (734) |
| Non-controlling interests | - | - | - | - |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

| | | At | At |
|--|--------------|--------------------|-------------|
| | | 30 June | 31 December |
| | | 2009 | 2008 |
| | | (Unaudited) | (Audited) |
| | <i>Notes</i> | \$'000 | \$'000 |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 1,313 | 1,251 |
| Current assets | | | |
| Trade receivables | 11 | 17,659 | 7,991 |
| Other receivables, deposits and prepayments | | 588 | 520 |
| Bank balances and cash | | 8,443 | 11,457 |
| | | 26,690 | 19,968 |
| Current liabilities | | | |
| Trade payables | 12 | 1,465 | 1,819 |
| Other payables and accruals | | 1,366 | 1,319 |
| Amount due to the ultimate holding company | | 13,082 | 600 |
| Unsecured loans | | 3,000 | 3,000 |
| | | 18,913 | 6,738 |
| Net current assets | | 7,777 | 13,230 |
| Total assets less current liabilities | | 9,090 | 14,481 |
| Non-current liabilities | | | |
| Convertible preference shares | 13 | 16,033 | 15,550 |
| Net liabilities | | (6,943) | (1,069) |
| Capital and reserves | | | |
| Share capital | 14 | 7,726 | 7,726 |
| Reserves | | (14,669) | (8,795) |
| Total equity attributable to owners of the parent | | (6,943) | (1,069) |
| Non-controlling interests | | - | - |
| Capital deficiency | | (6,943) | (1,069) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 (Expressed in Hong Kong dollars)

| | Share capital | Share premium | Capital reserve | Equity component of convertible preference shares | Special reserve | Statutory reserve | Foreign currency translation reserve | Accumulated losses | Attributable to owners of the parent | Non- controlling interests <i>(Note)</i> | Total |
|--|------------------|------------------|--------------------|---|--------------------|----------------------|---|-----------------------|---|---|----------------|
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2008 | 7,726 | - | 3,970 | 4,121 | 6,026 | 3,029 | 3,164 | (9,584) | 18,452 | - | 18,452 |
| Total comprehensive income for the period | - | - | - | - | - | - | 1,908 | (2,642) | (734) | - | (734) |
| At 30 June 2008 | 7,726 | - | 3,970 | 4,121 | 6,026 | 3,029 | 5,072 | (12,226) | 17,718 | - | 17,718 |
| At 1 January 2009 | 7,726 | - | 3,970 | 4,121 | 6,026 | 3,029 | 3,664 | (29,605) | (1,069) | - | (1,069) |
| Total comprehensive income for the period | - | - | - | - | - | - | 1 | (5,875) | (5,874) | - | (5,874) |
| At 30 June 2009 | 7,726 | - | 3,970 | 4,121 | 6,026 | 3,029 | 3,665 | (35,480) | (6,943) | - | (6,943) |

Note: The share of losses by non-controlling interests of the Group already up to their investments cost as at 30 June 2008 and 30 June 2009.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

(Expressed in Hong Kong dollars)

| | For the six months ended | |
|--|--------------------------|---------|
| | 30 June | |
| | 2009 | 2008 |
| | \$'000 | \$'000 |
| Net cash used in operating activities | (14,128) | (1,127) |
| Net cash used in investing activities | (883) | (2) |
| Net cash generated from/(used in) financing activities | 12,000 | (1,000) |
| Decrease in cash and cash equivalents | (3,011) | (2,129) |
| Cash and cash equivalents at the beginning of period | 11,457 | 23,695 |
| Effect of foreign exchange rates changes | (3) | 9 |
| Cash and cash equivalents at the end of period | 8,443 | 21,575 |
| Represented by | | |
| Bank balances and cash | 8,443 | 1,575 |
| Short-term bank deposits | – | 20,000 |
| | 8,443 | 21,575 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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. 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 deregistration 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 unaudited 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 condensed interim financial information has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2009 are consistent with those adopted in preparing the audited financial statements of the Group 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) – 9 | Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments Recognition and Measurement |
| HK(IFRIC) – 13 | Customer Loyalty Programmes |
| HK(IFRIC) – 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC) – 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 and other revenue for the period is as follows:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|-------------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 |
| Revenue: | | | | |
| One-stop value chain services | 20,492 | – | 30,754 | – |
| Voice portal related services | – | 866 | – | 1,685 |
| KM systems | – | – | – | – |
| | 20,492 | 866 | 30,754 | 1,685 |
| Other revenue: | | | | |
| Subcontracting fees | – | 40 | – | 78 |
| Others | 1 | 35 | 1 | 124 |
| | 1 | 75 | 1 | 202 |
| | 20,493 | 941 | 30,755 | 1,887 |

4. Segment Information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the business segments is as follows:

- (a) The one-stop value chain services segment engages in the provision of total solution services including trading, packaging and logistic solutions;
- (b) The voice portal segment engages in the provision of voice search engine portal; and
- (c) The KM systems segment engages in the sale, development and implementation of non-structural knowledge integration systems and KM related network application system and technology.

Business Segments

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

| | Revenue | | Segment result | |
|--------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | For the six months ended 30 June | | | |
| | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 |
| Operating divisions | | | | |
| One-stop value chain services | 30,754 | – | 198 | – |
| Voice portal related services | – | 1,685 | (123) | 656 |
| KM systems | – | – | (860) | (1,045) |
| Segment results | 30,754 | 1,685 | (785) | (389) |
| Unallocated other income | | | 1 | 35 |
| Unallocated corporate expenses | | | (4,083) | (1,550) |
| Finance costs | | | (966) | (738) |
| Loss before income tax | | | (5,833) | (2,642) |
| Income tax | | | (42) | – |
| Loss for the period | | | (5,875) | (2,642) |

5. Finance Costs

| | For the three months ended 30 June | | For the six months ended 30 June | |
|--|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 |
| Convertible preference shares interest | 396 | 373 | 783 | 738 |
| Interest for unsecured shareholder loan | 150 | – | 183 | – |
| | 546 | 373 | 966 | 738 |

6. Loss before Income Tax

Loss before income tax has been arrived at after charging and crediting:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 |
| After charging: | | | | |
| Staff costs, including directors' emoluments | 1,168 | 411 | 2,672 | 668 |
| Retirement benefits scheme contributions | 20 | 6 | 44 | 12 |
| | 1,188 | 417 | 2,716 | 680 |
| Depreciation | 184 | 458 | 822 | 1,025 |
| Auditors' remuneration | 91 | 120 | 166 | 230 |
| After crediting: | | | | |
| Bank interest income | 1 | 35 | 1 | 35 |

7. Income Tax Expenses

The Group's operations are carried out in both Hong Kong and PRC. The official applicable PRC tax rate for the period ended 30 June 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 30 June 2009 and 30 June 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 return 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: 17.5%) of the estimated profit for the period.

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

8. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

9. Loss per Share

The calculation of basic loss per share for the three months and six months ended 30 June 2009 and 2008 respectively is based on the respective unaudited consolidated loss attributable to owners of the parent of approximately HK\$2,693,000 (2008: HK\$1,276,000) and HK\$5,875,000 (2008: HK\$2,642,000), and the weighted average of 77,259,969 (30 June 2008: 77,259,969) ordinary shares of HK\$0.1 each in issue during the three months and six months ended 30 June 2009 and 2008.

No diluted loss per share for the three months and six months ended 30 June 2009 and 2008 respectively has been presented as the convertible preference shares issued had an anti-dilution effect on the basic loss per share for both periods.

10. Property, Plant and Equipment

During the six months ended 30 June 2009, the Group had additions to property, plant and equipment in the amount of approximately HK\$883,000 (2008: HK\$2,000).

11. Trade Receivables

The credit period to the Group's trade receivables generally ranges from 90 days to 180 days. The aging analysis of trade receivables at the corresponding balance sheet date, based on the invoice date, as follows:

| | At 30 June 2009 (Unaudited) HK\$'000 | At 31 December 2008 (Audited) HK\$'000 |
|-----------------|---|--|
| 0 to 90 days | 9,809 | 6,904 |
| 91 to 180 days | 6,586 | 350 |
| 181 to 365 days | 1,264 | 737 |
| | 17,659 | 7,991 |

12. Trade Payables

The following is an aged analysis of trade payables at the corresponding balance sheet date:

| | At 30 June 2009 (Unaudited) HK\$'000 | At 31 December 2008 (Audited) HK\$'000 |
|-----------------|---|--|
| 0 to 60 days | - | 105 |
| 61 to 120 days | - | 210 |
| 121 to 365 days | - | 656 |
| Over 1 year | 1,465 | 848 |
| | 1,465 | 1,819 |

13. Convertible Preference Shares

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| <i>Authorised, issued and fully paid:</i> | | |
| At 31 December 2008 and 30 June 2009 | 173,913,043 | 17,391 |

Pursuant to the passing of the ordinary resolution, 173,913,043 Convertible Preference Share ("CP Shares") with nominal value of HK\$0.10 each were issued at a total cash consideration of HK\$20 million on 6 November 2007.

The principal terms of the CP Shares include the following:

(i) Dividend

Dividends of HK\$600,000 and HK\$300,000 calculated at 3% of par value of CP Shares were accrued for the year ended 31 December 2008 and for the six months ended 30 June 2009 respectively. No dividends accrued or paid upon the CP Shares until 31 December 2007. An accrued dividend at the rate of 3% of par value will be paid annually.

(ii) Capital

On a return of capital on liquidation or otherwise (but not on conversion), the holders of the CP Shares ("CP Shareholders") shall have the right to be paid, in priority to any return of assets in respect of any other class of shares in the capital of the Company up to an amount equal to the aggregate notional value of \$20 million (equivalent to approximately HK\$0.115 per CP Share).

(iii) Redemption

The Company shall redeem all of the CP Shares at par plus the accrued and unpaid dividends at the maturity date falling five years from the date of allotment and issue of CP Shares.

(iv) Conversion rights

Each CP Shareholder shall have the right to convert at any time any CP Share, which shall be deemed to have a value equal to the notional value thereof, into ordinary shares at the conversion price of HK\$0.115 per share, subject to adjustment provisions which are standard terms for convertible securities of similar type.

Each CP Shareholder shall exercise the conversion right attaching to the CP Shares only if it has been confirmed by the Company in writing that the allotment and issue of the ordinary shares to such CP Shareholder and the Company will only issue the ordinary shares pursuant to an exercise of such conversion right if such issue will not cause the Company to be in breach of the minimum public float requirement of not less than 25% as stipulated under Rule 11.23 of the GEM Listing Rules.

(v) Transferability

The CP Shares may be freely transferable subject to the provision of the Company's Bye-laws relating to the transfer of shares and share certificates and provided that no transfer of a CP Share shall be effected within a period of six months commencing on the date of issue of such CP Share.

(vi) Voting

The CP Shareholders shall not have the right to receive notice of, or to attend and vote at, general meetings of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or which if passed would vary or abrogate the rights or privileges of the CP Shareholders.

The net proceeds received from the issue of the CP Shares contain two components:

- (a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 10.27% per annum.
- (b) Equity component represents the difference between the proceeds of issue of the CP Shares and the fair value assigned to the liability component.

Movements of the CP Shares are as follows:

| | Liability Component <i>HK\$'000</i> | Equity Component <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|---------------------------------|
| At 1 January 2008 | 14,745 | 4,121 | 18,866 |
| Interest charged for the year | 1,505 | – | 1,505 |
| 3% CP dividend for the year | (700) | – | (700) |
| At 31 December 2008 and 1 January 2009 | 15,550 | 4,121 | 19,671 |
| Interest charged for the period | 783 | – | 783 |
| 3% CP dividend for the period | (300) | – | (300) |
| At 30 June 2009 | 16,033 | 4,121 | 20,154 |

During the six months ended 30 June 2009, none of the CP Shares was converted into ordinary shares.

14. Share Capital

| | At 30 June 2009 (Unaudited) <i>HK\$'000</i> | At 31 December 2008 (Audited) |
|---|---|--|
| <i>Authorised:</i> | | |
| 326,086,957 ordinary shares of HK\$0.1 each | 32,609 | 32,609 |
| <i>Issued and fully paid:</i> | | |
| 77,259,969 ordinary shares of HK\$0.1 each | 7,726 | 7,726 |

15. Operating Lease Commitment

At the corresponding balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of office premises as follows:

| | At 30 June 2009 (Unaudited) HK\$'000 | At 31 December 2008 (Audited) HK\$'000 |
|---------------------------------------|---|--|
| Within one year | 380 | 348 |
| In the second to fifth year inclusive | 254 | – |
| | 634 | 348 |

16. Related Party Transactions

- a. Unsecured loans represent loans from the following related parties:
- i) Loan from Mr. Dai Fan, an ex-director of the Company, of HK\$2 million as at 30 June 2009 (31 December 2008: HK\$2 million); and
 - ii) Loan from Ms. Lu Wen Bin, an ex-director of a subsidiary of the Company, of HK\$1 million as at 30 June 2009 (31 December 2008: HK\$1 million).

The loans from Mr. Dai Fan and Ms. Lu Wen Bin, are unsecured, interest-free and repayable on demand.

- b. A dividend of HK\$300,000 in respect to the CP shares for the six months ended 30 June 2009 was accrued and disclosed as amount due to the Ultimate holding company, China Railway Logistics Limited (30 June 2008: Nil).
- c. During the six months ended 30 June 2009, the Group drawn a loan of amount HK\$12,000,000 from Luck Bloom International Limited ("Luck Bloom") and interest expenses amounted to HK\$182,466 was accrued. Luck Bloom is a wholly-owned subsidiary of China Railway Logistics Limited, which is a substantial shareholder of the Company (30 June 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Outlook

The Board recognized the global economic recession has continued in the first half year of 2009. Due to the enhancement of competitiveness of the business of the Group have come into effect that there is a significant increase in the revenue of One-Stop Value Chain Provision business in the first half of the fiscal year 2009.

The Group will keep on exploring good business opportunities for our existing business and identify if any possible valuable opportunities in the future.

Financial Review

For the six months ended 30 June 2009, the Group recorded revenue of approximately HK\$30,754,000 (six months ended 30 June 2008: HK\$1,685,000), representing an increase of approximately 1,725.2% as compared to the last corresponding period. The substantial increase in revenue was mainly contributed by developing the new business model of being a One-Stop Value Chain Provision including trading, packaging and logistic solutions.

Administrative expenses increased to approximately HK\$5,662,000 for the six months ended 30 June 2009 from approximately HK\$3,022,000 for the period ended 30 June 2008 mainly due to the expansion of the business of the Group and as a result of the Company being restructuring.

In addition, the finance costs for the six months ended 30 June 2009 was HK\$966,000 (30 June 2008: HK\$738,000) which was attributable to effective interest on convertible preference shares and loan interest to the ultimate holding company.

The loss attributable to the owners of the parent for the six months ended 30 June 2009 was approximately of HK\$5,875,000 (30 June 2008: approximately HK\$2,642,000. No diluted loss per share for the period ended 30 June 2009 and 2008 respectively.

Liquidity and Financial Resources

The Group financed its business operations with internally generated cash flows, unsecured loans and amount due to the ultimate holding company. As at 30 June 2009, the cash and cash equivalents balance of the Group was approximately HK\$8,443,000 (31 December 2008: HK\$11,457,000).

As at 30 June 2009, the Group had net liabilities of approximately HK\$6,943,000 (31 December 2008: HK\$1,069,000). The Group maintained net current assets of approximately HK\$7,777,000 (31 December 2008: HK\$13,230,000).

Gearing Ratio

The gearing ratio of the Group, as expressed the ratio of total liabilities to total assets, increased to 1.25 as at 30 June 2009 (31 December 2008: 1.05).

Capital Structure

As at 30 June 2009, the Company's issued ordinary share capital was HK\$7,725,997 divided into 77,259,969 shares of HK\$0.1 each (31 December 2008 : HK\$7,725,997 divided into 77,259,969 shares of HK\$0.1 each). The issued convertible preference share capital was HK\$17,391,304 divided into 173,913,043 shares of HK\$0.10 each (31 December 2008: HK\$17,391,304 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 30 June 2009.

Fund Raising Activities

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) ("Placing Agreement"). On 15 May 2009, the Company announced the Placing Agreement has lapsed.

On 29 May 2009, the Company entered into another placing agreement with a placing agent in relation to a placement of 14,000,000 new ordinary shares to independent investors under general mandate of the Company at a price of HK\$0.70 per placing share. The transaction has not yet been completed as at the date of this report.

Charge on Group Assets and Contingent Liabilities

The Group did not have any charges on its assets and no contingent liabilities as at 30 June 2009.

Capital Commitment

The Group did not have any capital commitment as at 30 June 2009.

Exposure to Fluctuations in Exchange Rates

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

Material Acquisitions and Disposals

Save as disclosed in this results announcement, the Group has no further material acquisition and disposal and no significant investments in properties, listed securities and financial instruments as at 30 June 2009.

Future Plans for Material Investments

On 15 January 2009, the Board announced that, 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). This project will be involved in technology development, design, system integration, project investment, operation and maintenance of waste treatment especially waste-to-energy projects in China. A unique municipal solid waste comprehensive treatment solution, aiming to maximize the effectiveness in transforming wastes into non-hazardous materials and resource will be developed.

On 25 June 2009, Kama Business Holdings Limited ("Kama"), a wholly owned subsidiary of the Company, acquired 49 shares representing 49% of the entire issued share capital of FDC Limited ("FDC"), a company incorporated in Samoa with limited liability, at the consideration of USD49.

On 21 May 2009, FDC has entered into a framework agreement ("Framework Agreement") with the Heilongjiang Municipal Government in relation to the proposed investment of livestock farming in Heilongjiang with possible investment of approximately RMB10 billion.

On 24 June 2009, FDC has entered into a memorandum of understanding ("MOU") with the Jiangxi Province Fuzhou City Municipal Government in relation to the proposed investment of livestock farming, construction and operation of abattoir, processing workhouse, cold storage facilities in Fuzhou City with possible investment of approximately RMB 2 billion. According to the Framework Agreement and MOU, the respective government will assist and support, offer incentives, and facilitate the investment of FDC in the local livestock farming industry.

As at the date of this report, the Board is still in the progress of reviewing the respective businesses and formal agreements have not been reached.

EMPLOYEES

As at 30 June 2009, the Group had 22 employees who were working on full-time basis. Staff costs, including directors' remuneration, of the Group for the six months ended 30 June 2009 totalled approximately HK\$2,672,000.

The Group decides the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution. Other benefits include retirement schemes.

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 30 June 2009, 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 (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 30 June 2009.

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

There was no Directors' short position as at 30 June 2009.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT 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 ended 30 June 2009 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 executive 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.

DIRECTORS' INTEREST IN CONTRACTS

No Director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party at any time during the period ended 30 June 2009.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 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") (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 June 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 30 June 2009.

Save as disclosed above, as at 30 June 2009, no other shareholders or other person had an interest or a short position in the shares or 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 meeting of the Company of substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 24 January 2002 (the "Share Option Scheme").

No share option granted under the Share Option Scheme remained outstanding as at 31 December 2008 and 30 June 2009. During the period under review, no share option had been granted by the Company under the Share Option Scheme.

COMPETING INTERESTS

None of the Directors or the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the six months ended 30 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2009.

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. 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 six months ended 30 June 2009.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

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

The unaudited financial results of the Group for the six months ended 30 June 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 15 June 2009, CRL announced that it had signed a further extension letter to extend the date for fulfillment of all conditions precedents of the CP placing to 15 September 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

Linefan Technology Holdings Limited

Tsang Chi Hin

Chief Executive Officer and Executive Director

Hong Kong, 31 July 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 and Mr. Lau Tin Cheung.