



Third  
Quarterly  
Report  
2009



藍帆科技控股有限公司\*

**LINEFAN TECHNOLOGY HOLDINGS LIMITED**

(Continued in Bermuda with limited liability)

Stock Code: 8166

## **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**

The Group recorded unaudited revenue of approximately HK\$32,754,000 for the nine months ended 30 September 2009, whereas the Group did not record any unaudited revenue for the nine months ended 30 September 2008.

Unaudited net loss attributable to owners of the parent amounted to approximately HK\$9,638,000 for the nine months ended 30 September 2009, representing an increase of HK\$4,901,000, approximately 103.5% 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 nine months ended 30 September 2009.

## UNAUDITED CONSOLIDATED QUARTERLY RESULTS

The board of directors (the "Board") would like to announce the unaudited consolidated results of Linefan Technology Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months and nine months ended 30 September 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<br>ended 30 September |                              | For the nine months<br>ended 30 September |                              |
|---|-------|--|------------------------------|---|------------------------------|
|   |       | 2009<br>\$'000                             | 2008<br>\$'000<br>(Restated) | 2009<br>\$'000                            | 2008<br>\$'000<br>(Restated) |
| Revenue   | 3     | 2,000                                      | –                            | 32,754                                    | –                            |
| Cost of sales                                   |       | (1,980)                                    | –                            | (31,940)                                  | –                            |
| Gross profit                                    |       | 20   | –                            | 814                                       | –                            |
| Other revenue                                   | 3     | –  | 61                           | 1   | 95                           |
| Administrative expenses                         |       | (3,110)                                    | (1,100)                      | (7,773)                                   | (2,102)                      |
| Finance costs                                   | 4     | (558)                                      | (383)                        | (1,524)                                   | (1,121)                      |
| Results of the disposal group<br>held for sales | 5     | (115)                                      | (673)                        | (1,114)                                   | (1,609)                      |
| Loss before income tax                          |       | (3,763)                                    | (2,095)                      | (9,596)                                   | (4,737)                      |
| Income tax expenses                             | 6     | –  | –                            | (42)                                      | –                            |
| Loss for the period                             |       | (3,763)                                    | (2,095)                      | (9,638)                                   | (4,737)                      |
| Attributable to:                                |       |  |                              |   |                              |
| Owners of the parent                            |       | (3,763)                                    | (2,095)                      | (9,638)                                   | (4,737)                      |
| Non-controlling interests                       |       | –  | –                            | –   | –                            |
|   |       | (3,763)                                    | (2,095)                      | (9,638)                                   | (4,737)                      |
| Dividend  | 7     | –  | –                            | –   | –                            |
| Loss per share                                  |       |  |                              |   |                              |
| – Basic (in HK cents)                           | 8     | (4.9)                                      | (2.7)                        | (12.5)                                    | (6.1)                        |
| – Diluted (in HK cents)                         | 8     | N/A  | N/A                          | N/A                                       | N/A                          |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Expressed in Hong Kong dollars)

|   | For the three months<br>ended 30 September |                | For the nine months<br>ended 30 September |                |
|---|--|----------------|---|----------------|
|   | 2009<br>\$'000                             | 2008<br>\$'000 | 2009<br>\$'000                            | 2008<br>\$'000 |
| Loss for the period   | <b>(3,763)</b>                             | (2,095)        | <b>(9,638)</b>                            | (4,737)        |
| Other comprehensive income:   |  |                |   |                |
| Exchange difference arising on<br>translation of foreign operations | -  | (972)          | <b>1</b>                                  | 936            |
| Total comprehensive loss for the<br>period                          | <b>(3,763)</b>                             | (3,067)        | <b>(9,637)</b>                            | (3,801)        |
| Attributable to:  |  |                |   |                |
| Owners of the parent  | <b>(3,763)</b>                             | (3,067)        | <b>(9,637)</b>                            | (3,801)        |
| Non-controlling interests   | -  | -              | -   | -              |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2009 (Expressed in Hong Kong dollars)

|  | Attributable to owners of the Company |                            |                              |  |                              |                                |   |                                 |  |  | Total<br>\$'000 |
|--|---------------------------------------|----------------------------|------------------------------|--|------------------------------|--------------------------------|---|---------------------------------|--|--|-----------------|
|  | Share<br>capital<br>\$'000            | Share<br>premium<br>\$'000 | Capital<br>reserve<br>\$'000 | Equity<br>component<br>of<br>convertible<br>preference<br>shares<br>\$'000 | Special<br>reserve<br>\$'000 | Statutory<br>reserve<br>\$'000 | Foreign<br>currency<br>transaction<br>reserve<br>\$'000 | Accumulated<br>losses<br>\$'000 | Attributable<br>to owners of<br>the parent<br>\$'000 | Non-<br>controlling<br>interests<br>(Note)<br>\$'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 loss for<br>the period         | -                                     | -                          | -                            | -  | -                            | -                              | 936   | (4,737)                         | (3,801)  | -  | (3,801)         |
| At 30 September 2008                               | 7,726                                 | -                          | 3,970                        | 4,121  | 6,026                        | 3,029                          | 4,100   | (14,321)                        | 14,651   | -  | 14,651          |
| <b>At 1 January 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>(29,605)</b>                 | <b>(1,069)</b>                                       | <b>-</b>   | <b>(1,069)</b>  |
| <b>Total comprehensive loss<br/>for the period</b> | <b>-</b>                              | <b>-</b>                   | <b>-</b>                     | <b>-</b>   | <b>-</b>                     | <b>-</b>                       | <b>1</b>  | <b>(9,638)</b>                  | <b>(9,637)</b>                                       | <b>-</b>   | <b>(9,637)</b>  |
| <b>At 30 September 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>3,665</b>  | <b>(39,243)</b>                 | <b>(10,706)</b>                                      | <b>-</b>   | <b>(10,706)</b> |

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

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. 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 (hereinafter collectively referred to as the "Group") are engaged in the business of one-stop value chain services. The one-stop value chain business provides the services in various aspects including supply chain management, logistics management, distribution services and customer focused design solutions.

The Group are also engaged in the business of voice search engine portal, sales, development and implementation of non-structural knowledge integration systems and knowledge management ("KM") related network application systems. However, reference to the announcement date 20 October 2009, the Group will discontinue the operation of KM systems and voice portal business upon the completion of disposal of Chineseroad Incorporated and its subsidiaries.

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 quarterly 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 accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed financial results have been prepared under the historical cost basis.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial results for the nine months ended 30 September 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 (Amendment)              | Financial Instruments: Disclosures – Improving Disclosure about Financial Instruments              |
| HKFRS 8                          | Operating Segments   |
| HK(IFRIC) – INT 9                | Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments Recognition and Measurement |
| 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   |
| HK(IFRIC) – INT 18               | Transfers of Assets from Customers   |

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 are as follows:

|                               | For the three months ended 30 September |                                 | For the nine months ended 30 September |                                 |
|-------------------------------|---|---------------------------------|--|---------------------------------|
|                               | 2009<br>(Unaudited)<br>HK\$'000         | 2008<br>(Unaudited)<br>HK\$'000 | 2009<br>(Unaudited)<br>HK\$'000        | 2008<br>(Unaudited)<br>HK\$'000 |
| Revenue:                      |   |                                 |  |                                 |
| One-stop value chain services | 2,000                                   | –                               | 32,754                                 | –                               |
| Other revenue                 | –                                       | 61                              | 1                                      | 95                              |
|                               | <b>2,000</b>                            | 61                              | <b>32,755</b>                          | 95                              |



#### 4. Finance costs

|   | For the three months ended 30 September 2009 |                                 | For the nine months ended 30 September 2009 |                                 |
|---|--|---------------------------------|---|---------------------------------|
|   | (Unaudited)<br>HK\$'000                      | 2008<br>(Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000                     | 2008<br>(Unaudited)<br>HK\$'000 |
| Convertible preference shares interest  | 407  | 383                             | 1,190                                       | 1,121                           |
| Interest for unsecured shareholder loan | 151  | –                               | 334   | –                               |
|   | <b>558</b>                                   | 383                             | <b>1,524</b>                                | 1,121                           |

#### 5. Results of the disposal group held for sale

On 29 September 2009, the Company entered into a conditional sale and purchase agreement to dispose its 100% equity interest in Chineseroad Incorporated (“Chineseroad”). Chineseroad and its subsidiaries (“Chineseroad Group”) are principally engaged in the knowledge management related network application systems and technology as well as provision of voice search engine portal services. As at the date of this report, this transaction is still subject to the fulfillment of several conditions including, but not limited to, the approval by the shareholders of the Company.

The results of Chineseroad Group for the three months and nine months ended 30 September 2009 together with the comparative figures for the corresponding period in 2008 are as follows:

|                         | For the three months ended 30 September 2009 |                                 | For the nine months ended 30 September 2009 |                                 |
|-------------------------|--|---------------------------------|---|---------------------------------|
|                         | (Unaudited)<br>HK\$'000                      | 2008<br>(Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000                     | 2008<br>(Unaudited)<br>HK\$'000 |
| Revenue                 | –  | 774                             | –   | 2,459                           |
| Cost of sales           | –  | (444)                           | –   | (1,213)                         |
| Gross profit            | –  | 330                             | –   | 1,246                           |
| Other revenue           | –  | 41                              | –   | 209                             |
| Distribution costs      | –  | –                               | –   | (1)                             |
| Administrative expenses | (115)  | (1,044)                         | (1,114)                                     | (3,063)                         |
| Finance costs           | –  | –                               | –   | –                               |
| Loss before income tax  | (115)  | (673)                           | (1,114)                                     | (1,609)                         |
| Income tax expense      | –  | –                               | –   | –                               |
| Loss for the period     | <b>(115)</b>                                 | (673)                           | <b>(1,114)</b>                              | (1,609)                         |

## **6. 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 September 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 September 2009 and 30 September 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 profits for the period.

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

## **7. Dividend**

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (2008: nil).

## **8. Loss per share**

The calculation of the Group's basic loss per share for the three months and nine months ended 30 September 2009 and 2008 respectively is based on the respective unaudited consolidated loss attributable to the owners of the parent of approximately HK\$3,763,000 (2008: HK\$2,095,000) and HK\$9,638,000 (2008: HK\$4,737,000), and the weighted average of 77,259,969 (2008: 77,259,969) shares of HK\$0.1 each in issue during the three months and nine months ended 30 September 2009 and 2008.

No diluted loss per share for the three months and nine months ended 30 September 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.

## **9. Comparative figures**

Certain comparative figure has been reclassified to conform to current period presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview and Outlook

The global and local economy continues to improve and appears to be on the road to recovery during the third quarter of 2009. With the strong fundamental economic figures of the PRC coupled with the expertise of the Company's management in the realms of telecommunication, information technology and hi-tech industry as well as their connections and networking, the Group recorded a remarkable revenue of its one-stop value chain service business for the nine months ended 30 September 2009.

On 29 September 2009, the Company entered into a conditional sale and purchase agreement to dispose its 100% equity interest in Chineseroad Incorporated ("Chineseroad"). Chineseroad and its subsidiaries ("Chineseroad Group") are principally engaged in the knowledge management related network application systems and technology as well as provision of voice search engine portal services. Upon completion of this transaction, the Group will concentrate on the development of its existing business of one-stop value chain services. The one-stop value chain business provides the services in various aspects including supply chain management, logistics management, distribution services and customer focused design solutions. The operation of the one-stop value chain services is independent from and has no relationship with the business carried out by the Chineseroad Group. As at the date hereof, this transaction is still subject to the fulfillment of several conditions including, but not limited to, the approval by the shareholders of the Company.

With the acquisition of 49% equity interest in FDC Limited ("FDC"), the Group intends to explore the business opportunities in agricultural and farming business in the PRC. FDC has entered into framework agreement and memorandum of understanding for proposed investments in livestock farming, construction and operation of abattoirs, processing workhouses as well as cold storage facilities in the PRC. Despite the Company's cautious optimism with this new branch of investment, it will nonetheless take a prudent approach towards the new development and have thus formed a specific business development team for the purposes of evaluating the business model and the risk factors of this business from the outset so as to monitor the development of the projects.

The Company will keep on exploring good business opportunities for our existing business and identify any possible valuation opportunities in the future.

## Financial Review

For the nine months ended 30 September 2009, the Group recorded revenue of approximately HK\$32,754,000 (nine months ended 30 September 2008: Nil), representing an increase of approximately HK\$32,754,000 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\$7,773,000 for the nine months ended 30 September 2009 from approximately HK\$2,103,000 for the period ended 30 September 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 nine months ended 30 September 2009 was HK\$1,524,000 (30 September 2008: HK\$1,121,000) 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 nine months ended 30 September 2009 was approximately of HK\$9,638,000 (30 September 2008: approximately HK\$4,737,000). No diluted loss per share for the period ended 30 September 2009 and 2008 respectively.

## Litigation

Reference is made to the announcement of the Company dated 12 August 2009 and 20 October 2009. On 11 August 2009, the Company received a writ of summons against the Company by Mr. Dai and Ms. Lu in respect of alleged loan payments totaling HK\$3,000,000 by Mr. Dai and Ms. Lu to the Company (the "Claim"). The Company has filed a defence and counterclaim against Mr. Dai and Ms. Lu in respect of the Claim on 16 October 2009.

Save as disclosed above, none of the members of the Group is engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to be pending or threatened against any member of the Group.

## 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 September 2009, the cash and cash equivalents balance of the Group (excluding the disposal group) was approximately HK\$19,183,000 (31 December 2008: HK\$11,457,000).

As at 30 September 2009, the Group had net liabilities of approximately HK\$10,706,000 (31 December 2008: HK\$1,069,000). The Group maintained net current assets of approximately HK\$4,389,000 (31 December 2008: HK\$13,230,000).

## Capital Structure

As at 30 September 2009, the Company's issued ordinary share capital was HK\$7,725,997 divided into 77,259,969 shares of HK\$0.10 each (31 December 2008: HK\$7,725,997 divided into 77,259,969 shares of HK\$0.10 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 (the "CP Shares") were converted into ordinary shares as at 30 September 2009.

By a resolution passed at the special general meeting of the Company held on 12 October 2009, it was resolved that with effect from 13 October 2009:

- (i) the nominal value of the ordinary shares of HK\$0.10 each in the issued and unissued share capital of the Company was subdivided into HK\$0.01 each.
- (ii) all the authorised share capital of the Company of HK\$32,608,695.70 was divided into 3,260,869,570 shares of HK\$0.01 each.
- (iii) the issued share capital was HK\$7,725,997 was divided into 77,259,969 shares of HK\$0.01 each.
- (iv) the issued convertible preference share capital of HK\$17,391,304 was divided into 173,913,043 shares of HK\$0.01 each.

## **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. On 28 August 2009, the Company and the placing agent then agreed to extend the last date for fulfilling the conditions in the placing agreement from 28 August 2009 to 28 October 2009. On 28 October 2009, the Company and the placing agent then agreed to further extend the last date for fulfilling the conditions in the placing agreement from 28 October 2009 to 11 November 2009. The transaction has not yet been completed as at the date of this report.

## **Material Acquisitions and Disposals**

On 29 September 2009, the Company entered into the agreement with Skycomm International Limited to dispose the entire shareholding interest (the "Sale Shares") in Chineseroad Incorporated ("Chineseroad"), a wholly owned subsidiary of the Company and a loan of HK\$65,216,133 owing by Chineseroad to the Company as at the date of the agreement (the "Sales Loan") at the aggregate consideration of HK\$300,000. The transaction was not yet completed as at the date of this report.

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

## **Future Plans for Material Investments**

Reference is made to the announcement of the Company dated 16 January 2009 which disclosed that the Company had 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. As at the date hereof, no committing agreement has been entered into in relation to the project.

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 RMB2 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.

## **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 September 2009, 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 2009.

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

There was no Directors’ short position as at 30 September 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 September 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.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 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")<br><i>(Note 1)</i> | Beneficial owner | Ordinary shares                             | 53,727,600                             | 69.54%<br><i>(Note 2)</i>         |
|  | Beneficial owner | Convertible preference shares ("CP Shares") | 173,913,043<br><i>(Note 3)</i>         | 225.10%                           |

Notes:

1. Top Status, 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 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 September 2009.

Save as disclosed above, as at 30 September 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.

## **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 nine months ended 30 September 2009.

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

During the nine months ended 30 September 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. 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. Lau Tin Cheung.

The unaudited consolidated results of the Group for the nine months ended 30 September 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 September 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 December 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, 30 October 2009

*As at the date of this report, 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.*