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LINEFAN TECHNOLOGY HOLDINGS LIMITED

藍帆科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8166

ANNOUNCEMENT PURSUANT TO RULES 17.15 AND 17.17 OF THE GEM LISTING RULES

The Board wishes to announce that on 19 September 2003, Beijing Silver-Soft, a wholly-owned subsidiary of the Company, entered into the Agreement with the Independent Third Party, pursuant to which an advance of approximately HK\$18.1 million was made to the Independent Third Party. The advance amounted to approximately HK\$18.1 million, which exceeded 25% of the Company's net tangible assets as at 30 June 2003, and constituted a disclosure obligation pursuant to Rules 17.15 and 17.17 of the old GEM Listing Rules (in effect before 31 March 2004).

The Directors admit that non-disclosure of the advance was due to the oversight of the Directors and it constituted a breach of the old GEM Listing Rules (in effect before 31 March 2004). In order to avoid any future breach of disclosure obligations under the GEM Listing Rules, the Directors confirm that they will be more heavily involved in the compliance exercise and take such measures including but not limited to working closely with and seeking advice from the Company's financial, legal and other professional advisers.

The Stock Exchange has indicated that it reserves its right to take disciplinary action against such non-compliance with disclosure obligation under the GEM Listing Rules.

According to Rules 17.15 and 17.17 of the old GEM Listing Rules (in effect before 31 March 2004), a disclosure obligation arises where the relevant advance to an entity from the Company or any of its subsidiaries exceeds 25% of the Company's net tangible assets.

As at 30 June 2003, the net tangible assets of the Company was HK\$55 million. Pursuant to the Agreement between Beijing Silver-Soft and the Independent Third Party dated 19 September 2003, an advance of approximately HK\$18.1 million, which was satisfied by the working capital of the Group, was made to the Independent Third Party, representing approximately 32.6% of the Company's net tangible assets. The Independent Third Party has extensive connections with the

* For identification purpose only

PRC government authority in Beijing of the PRC in charge of the Project and agreed to act on behalf of Beijing Silver-Soft to procure the bidding of the Project. The advance was deposited into an account held by the Independent Third Party who was not allowed to transfer the money out of the account without Beijing Silver-Soft's permission. The Independent Third Party would only apply the advance according to Beijing Silver-Soft's instructions from time to time.

Pursuant to the Agreement, the Independent Third Party would apply the HK\$18.1 million in the PRC as deposit for the bidding and as fund for such work as necessary for procuring the bidding of the Project. There was not a specified amount in respect of each of the purposes for which the advance was applied.

Pursuant to the Agreement, the Independent Third Party agreed to conduct research and investigation on the requirements of the Project and to present the Group's products to the PRC government authority until the bidding of the Project had been successfully procured for Beijing Silver-Soft. The bid of the Project, being private and organized by the PRC government authority, was offered to designated candidates in relation to the development of the Project. On 28 June 2004, Beijing Silver-Soft won the bid of the Project and entered into contractual arrangement in relation to the development of the Project with the main-contractor. The Directors of the Company have confirmed that the main-contractor and its beneficial owners are Independent Third Party and the said transaction did not constitute a notifiable transaction for the Company under the GEM Listing Rules. As at the date of this announcement, the Group is in the course of design and development of the software in the PRC.

The advance was unsecured, interest-free and no repayment term was specified in accordance with the terms of the Agreement. No collateral was required to be made by the Independent Third Party. The advance was made and determined after arm's length negotiation between the parties with reference to the offer price of the bidding of the Project.

The Group is principally engaged in services of providing software applications and technology in Hong Kong and the PRC. Since the independent Third Party is familiar with the Chinese business culture and practice and has extensive connections with the PRC government authority, the Directors believed that entering into the Agreement with and furnishing the advance to the Independent Third Party would greatly enhance the chance of winning the bid for the Group. The advance was made incidental to the ordinary course of business of the Group in the way that it was incurred in pursuing business for the Group.

It was agreed under the Agreement that the advance was to be made to the Independent Third Party within 15 days from the date of the Agreement and this immediately gave rise to a disclosure obligation under Rules 17.15 and 17.17 of the old GEM Listing Rules (in effect before 31 March 2004). The Directors confirm that no disclosure has been made in respect of the advance by way of announcement and it constituted a breach of the old GEM Listing Rules (in effect before 31 March 2004).

The advance in the sum of approximately HK\$18.1 million has been recovered in full in mid-August 2004. Prior to the expiry of the Agreement on 20 November 2004, the Directors confirm that the Group will not make any further advance to the Independent Third Party.

Save as disclosed above, the Directors confirm that no other advance (including trade receivables and other receivables) which would give rise to disclosure obligation under Rules 17.15 to 17.21 of the GEM Listing Rules has been made by the Company or any of its subsidiaries. The Directors

further confirm that they will be more heavily involved in the compliance exercise and take such measures including but not limited to working closely with and seeking advice from the Company's financial, legal and other professional advisers.

The Stock Exchange has indicated that it reserves the right to take appropriate actions against the Company and/or its Directors in relation to the breach of the GEM Listing Rules.

DEFINITIONS

“Agreement”	the agreement dated 19 September 2003 which was entered into between Beijing Silver-Soft and the Independent Third Party for the procurement on the bidding of the Project and will come to an end on 20 November 2004
“Board”	the board of directors of the Company
“Beijing Silver-Soft”	北京藍帆銀軟科技有限公司 (Beijing Linefan Silver-Soft Technology Company Limited*), a wholly-owned subsidiary of the Company incorporated in the PRC with limited liability
“Company”	Linefan Technology Holdings Limited, a company incorporated in the Cayman Islands and whose shares are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	a PRC individual who is independent of and not connected with the Directors, chief executive, substantial shareholders or management shareholders of the Company, its subsidiaries or their respective associates (as defined in the GEM Listing Rules)
“Percentage Ratios”	The figures, expressed as percentages resulting from each of the calculations as prescribed under Rule 19.07 of the GEM Listing Rules
“PRC”	The People's Republic of China
“Project”	the software development project of the information management system of the PRC government authority

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

By the order of the board of
Linefan Technology Holdings Limited
Ma Gui Fang
Executive Director

Hong Kong, 9 September 2004

As the date of this announcement, the Board comprises of:

Mr. Xu Wen Bo (*Executive director*)
Ms. Ma Gui Fang (*Executive director*)
Mr. Jiang Jian Sheng (*Executive director*)
Mr. Zhu Guang Bo (*Executive director*)
Mr. Wang Yong (*Executive director*)
Mr. Chan, Peter Yat-Tung (*Independent non-executive director*)
Mr. Feng Jue Min (*Independent non-executive director*)

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from its date of publication.