



**UNIONBRIDGE**  
**UNION BRIDGE HOLDINGS LIMITED**  
**聯僑集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8047)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31ST MARCH 2007**

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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*This announcement, for which the directors of Union Bridge Holdings Limited 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 Union Bridge Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purposes only

## FINANCIAL RESULTS

The board of directors (the “Board”) of Union Bridge Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2007 together with the comparative figures for the corresponding year in 2006 as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>TURNOVER</b>	3	<b>110,074</b>	42,474
Cost of sales		<u>(85,818)</u>	<u>(38,096)</u>
Gross profit		<b>24,256</b>	4,378
Other revenue		<b>1,329</b>	318
Distribution costs		<b>(1,217)</b>	(126)
Administrative expenses		<b>(21,216)</b>	(5,517)
Other operating expenses		<u>–</u>	<u>(415)</u>
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	4	<b>3,152</b>	(1,362)
Provision for impairment loss of fixed assets		–	(5,000)
Provision for impairment loss of available-for-sale financial assets		<b>(570)</b>	(657)
Finance costs	5	<b>(8,361)</b>	(994)
Share of loss from an associate		<u>(187)</u>	<u>–</u>
<b>LOSS BEFORE INCOME TAX</b>		<b>(5,966)</b>	(8,013)
Income tax	6	<u>(2,652)</u>	<u>353</u>
<b>LOSS FOR THE YEAR</b>		<b><u>(8,618)</u></b>	<b><u>(7,660)</u></b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>(9,117)</b>	(7,649)
Minority interests		<u>499</u>	<u>(11)</u>
<b>LOSS FOR THE YEAR</b>		<b><u>(8,618)</u></b>	<b><u>(7,660)</u></b>
<b>DIVIDENDS</b>	7	<u>–</u>	<u>–</u>
<b>LOSS PER SHARE</b>	8		
– Basic		<b><u>HK cent (1.78)</u></b>	<b><u>HK cent (2.53)</u></b>
– Diluted		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED BALANCE SHEET

As at 31st March 2007

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Fixed assets	39,822	20,986
Available-for-sale financial assets	150	720
Intangible assets	60,730	25,537
Deferred tax assets	430	658
	<u>101,132</u>	<u>47,901</u>
<b>CURRENT ASSETS</b>		
Inventories	38,484	20,856
Accounts receivable	21,756	33,663
Prepayments, deposits and other receivables	7,469	6,756
Financial assets at fair value through profit or loss	–	2,325
Tax prepaid	64	6
Pledged time deposits	14,260	11,239
Cash and cash equivalents	33,784	4,424
	<u>115,817</u>	<u>79,269</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	20,087	10,330
Bank borrowings	64,517	62,413
Current portion of finance leases payables	2,778	2,368
Other loans	1,044	1,134
Accrued expenses and other payables	7,886	3,064
Amount due to a shareholder	215	999
Amount due to a shareholder of a subsidiary	13,741	–
Promissory notes	6,158	–
Tax payable	854	973
	<u>117,280</u>	<u>81,281</u>
<b>NET CURRENT LIABILITIES</b>	<u>(1,463)</u>	<u>(2,012)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>99,669</u>	<u>45,889</u>

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings	1,153	1,045
Finance leases payables	4,005	2,592
Convertible notes	–	8,415
Promissory notes	–	12,636
Provision for long services payment	171	171
Deferred tax liabilities	1,412	–
	<u>6,741</u>	<u>24,859</u>
<b>NET ASSETS</b>	<b><u>92,928</u></b>	<b><u>21,030</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	48,471	18,750
Reserves	39,890	292
	<u>88,361</u>	<u>19,042</u>
<b>MINORITY INTERESTS</b>	<u>4,567</u>	<u>1,988</u>
<b>TOTAL EQUITY</b>	<b><u>92,928</u></b>	<b><u>21,030</u></b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2007

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Convertible notes reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April 2005	15,000	5,902	6,015	108	–	–	(10,207)	16,818	1,999	18,817
Arising on consolidation of subsidiaries	–	–	–	(12)	–	–	–	(12)	–	(12)
Issue of share capital	3,750	5,250	–	–	–	–	–	9,000	–	9,000
Issue of convertible notes	–	–	–	–	885	–	–	885	–	885
Net loss for the year	–	–	–	–	–	–	(7,649)	(7,649)	(11)	(7,660)
At 31st March 2006	18,750	11,152	6,015	96	885	–	(17,856)	19,042	1,988	21,030
Acquired on acquisition of subsidiaries	–	–	–	10	–	–	–	10	2,080	2,090
Arising on consolidation of subsidiaries	–	–	–	1,099	–	–	–	1,099	–	1,099
Issue of share capital	18,924	18,185	–	–	–	–	–	37,109	–	37,109
Recognition of equity-settled share-based payment	–	–	–	–	–	3,719	–	3,719	–	3,719
Issue of consideration shares	1,500	4,500	–	–	–	–	–	6,000	–	6,000
Share option exercised	2,200	7,519	–	–	–	(1,239)	–	8,480	–	8,480
Exercise of warrants	4,650	10,695	–	–	–	–	–	15,345	–	15,345
Conversion of convertible notes	2,447	7,737	–	–	(885)	–	–	9,299	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	(2,625)	–	(2,625)
Net loss for the year	–	–	–	–	–	–	(9,117)	(9,117)	499	(8,618)
At 31st March 2007	48,471	57,163	6,015	1,205	–	2,480	(26,973)	88,361	4,567	92,928

Notes:

## 1 GENERAL INFORMATION

The Company was incorporated in Bermuda on 7th June 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company were listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 1st November 2001. Details of the group reorganisation are set out in the Company’s prospectus dated 24th October 2001.

The principal activity of the Company is investment holding. The Company and its subsidiaries (“the Group”) are principally engaged in the research, development and provision of information-on-demand (“IOD”) system solutions and the provision of related products and services as well as the provision of mobile payment gateway services and a full range of design, engineering and manufacturing services to high-end brand-named users in the industry. Its registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Room 1805-06, 18/F, Riley House, 88 Lei Muk Road, Kwai Chung, Hong Kong.

By a special resolution passed on 10th August 2006, the name of the Company was changed from “IA International Holdings Limited 毅興科技國際控股有限公司” to “Union Bridge Holdings Limited 聯僑集團控股有限公司”.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

Unless otherwise stated, the Group’s consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000).

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are summarised below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

### 2.1 Going concern assumptions

The Group incurred a loss of approximately HK\$8,618,000 for the year ended 31st March 2007 and had net current liabilities of approximately HK\$1,463,000 at 31st March 2007. Nevertheless, the directors have adopted the going concern basis in the preparation of these consolidated financial statements based on the following:

- The directors are taking steps in order to improve the Group’s financial position, immediate cash flows and profitability. These steps include a private placement of its equity shares in April 2007 which raised HK\$51,700,000 and various other measures to reduce costs and improve the operating cash flows.
- During the year, in order to diversify its revenue, the Group explored the business opportunities in the diversified mobile payment gateway services which are of great potential and prospect in the People Republic of China (“PRC”). The Group entered into a Sale and Purchase Agreement (“the Agreement”) with Mr. Hsu Tung Sheng (“Mr. Hsu”) to acquire 51% equity interest in Media Magic Technology Limited (“MM”). Pursuant to the Agreement, Mr. Hsu has guaranteed and warranted that the audited consolidated net profit after taxation and exceptional items (the “audited profit”) of MM for the year ended 31st March 2008 will not be less than RMB8 million. If the 2008 guaranteed profit (the “2008 guaranteed profit”) is not achieved, Mr. Hsu will indemnify the Group for any shortfall between the audited profit and the 2008 guaranteed profit on a dollar to dollar basis.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operation and remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

## 2.2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value and promissory notes which have been measured at amortised cost.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company’s accounting policies. The areas involving high degree of judgement or where assumptions and estimates are significant to the consolidated financial statements are summarised in Note 4 to the financial statements in the annual report.

### *Adoption of HKFRS*

In 2006, the HKICPA has issued new and revised HKFRS that are effective or available for early adoption for the current accounting period of the Group. The Group adopts the standard, amendments and interpretation, which are relevant to its operation.

The adoption of these new and revised HKFRS have no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

At the date of this report, the Group has not early adopted the following new and revised HKFRS that have been issued but not yet effective for the current accounting period.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>7</sup>

<sup>1</sup> Effective for annual period beginning on or after 1st January 2007

<sup>2</sup> Effective for annual period beginning on or after 1st January 2009

<sup>3</sup> Effective for annual period beginning on or after 1st May 2006

<sup>4</sup> Effective for annual period beginning on or after 1st June 2006

<sup>5</sup> Effective for annual period beginning on or after 1st November 2006

<sup>6</sup> Effective for annual period beginning on or after 1st March 2007

<sup>7</sup> Effective for annual period beginning on or after 1st January 2008

The directors of the Company anticipate that the application of these new and revised standards will have no significant impact on the results and financial position of the Group.

### 3. Turnover

Turnover represents the net invoiced value of goods sold, after sales discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

	<b>Group</b>	
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading of internet appliances and related products	2,147	24,926
E-commerce platform and related services	–	925
Trading and manufacturing of electronic devices and components	99,972	16,480
Design and engineering services	4,777	1,087
Mobile payment gateway services	3,178	–
Less: Sales discounts	–	(944)
	<u>110,074</u>	<u>42,474</u>

### 4. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after crediting and charging the following:

	<b>Group</b>	
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Crediting:</b>		
Interest income	711	108
Exchange gain, net	321	7
Gain on disposal of fixed assets	71	–
	<u>71</u>	<u>–</u>
<b>Charging:</b>		
Auditors' remuneration	648	359
Amortisation of product development costs	2,143	161
Cost of inventories sold	85,818	38,096
Depreciation of fixed assets	4,879	1,372
Impairment loss on fixed assets	–	5,000
Impairment loss on available-for-sale financial assets	570	657
Operating leases in respect of land and buildings	2,106	456
Research and development costs	–	307
Pension scheme contributions	686	37
Staff costs (excluding directors' remuneration)		
Salaries and allowances	14,709	893
Share-based payments	2,618	–
	<u>2,618</u>	<u>–</u>

Staff costs and directors' remuneration amounting to HK\$3,943,000 (2006: HK\$177,000) in relation to research and development are capitalised in "product development costs".



## 5. Finance costs

	<b>Group</b>	
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Interest on:</b>		
Bank overdrafts, bills and loans wholly repayable within five years	5,570	952
Finance leases	486	32
Convertible notes	885	–
Promissory notes repayable within five years	1,285	–
Other loans	135	10
	<u>8,361</u>	<u>994</u>

## 6. Income tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The amount of income tax in the consolidated income statement represents:

	<b>Group</b>	
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current tax – provision for Hong Kong profits tax		
Current year	292	148
Over provision in prior years	(208)	(278)
Under provision in prior years	–	10
	<u>84</u>	<u>(120)</u>
Deferred tax	<u>2,568</u>	<u>(233)</u>
Tax charge/(credit) for the year	<u>2,652</u>	<u>(353)</u>

The provision for the year can be reconciled from income tax based on the loss on the consolidated income statement as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Loss before income tax	<u><b>(5,966)</b></u>	<u>(8,013)</u>
Tax at the domestic tax rate of 17.5% (2006: 17.5%)	<b>(1,044)</b>	(1,402)
Effect of different tax rates of a subsidiary company operating in the PRC	<b>219</b>	482
Tax effect on non-deductible expenses	<b>2,716</b>	750
Tax effect of non-taxable revenue	<b>(1,506)</b>	(568)
Tax effect on accelerated depreciation allowance	<b>(35)</b>	9
Tax effect on unused tax losses not recognised	<b>2,510</b>	644
Over provision in the prior years	<b>(208)</b>	(278)
Under provision in the prior years	<u>–</u>	<u>10</u>
Tax charge/(credit) for the year	<u><b>2,652</b></u>	<u>(353)</u>

#### **7. Dividends**

No dividends have been paid or declared by the Company during the year (2006: Nil).

#### **8. Loss per share**

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$9,117,000 (2006: HK\$7,649,000) and on the weighted average number of 513,322,041 (2006: 302,465,753) ordinary shares of the Company in issue during the year.

Diluted loss per share is not presented as share options outstanding during the years had an anti-dilutive effects on the basic loss per share.

#### **9. 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 other business segments. Summary details of the business segments are as follows:

- (a) the internet appliances segment provides internet appliances and related products;
- (b) the e-commerce platform segment provides an e-marketplace for content providers and their users with features such as security enhancements and related services;
- (c) the electronic devices and components segment provides power devices, magnetic and printed circuit board assembly;
- (d) the design and engineering services segment provides design of power devices, magnetic and printed circuit board assembly; and
- (e) the mobile payment gateway services segment provides e-payment services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of assets.

**(a) Business segments**

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Mobile payment gateway services		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>	<b>2,147</b>	<b>23,982</b>	<b>-</b>	<b>925</b>	<b>99,972</b>	<b>16,480</b>	<b>4,777</b>	<b>1,087</b>	<b>3,178</b>	<b>-</b>	<b>110,074</b>	<b>42,474</b>
<b>RESULTS</b>												
Segment results	<b>192</b>	<b>(4,957)</b>	<b>-</b>	<b>351</b>	<b>18,821</b>	<b>1,867</b>	<b>2,065</b>	<b>879</b>	<b>3,178</b>	<b>-</b>	<b>24,256</b>	<b>(1,860)</b>
Other revenue											<b>1,329</b>	<b>302</b>
Distribution costs											<b>(1,217)</b>	<b>(54)</b>
Administrative and other operating expenses											<b>(21,216)</b>	<b>(4,750)</b>
Profit/(loss) from operating activities											<b>3,152</b>	<b>(6,362)</b>
Provision for impairment loss on available-for-sale financial assets											<b>(570)</b>	<b>(657)</b>
Finance costs											<b>(8,361)</b>	<b>(994)</b>
Share of loss from an associate											<b>(187)</b>	<b>-</b>
Loss before income tax											<b>(5,966)</b>	<b>(8,013)</b>
Income tax											<b>(2,652)</b>	<b>353</b>
Loss for the year											<b>(8,618)</b>	<b>(7,660)</b>
<b>BALANCE SHEET</b>												
<b>ASSETS</b>												
Segment assets	<b>241</b>	<b>6,708</b>	<b>-</b>	<b>-</b>	<b>38,506</b>	<b>46,376</b>	<b>14,776</b>	<b>14,050</b>	<b>9,319</b>	<b>-</b>	<b>62,842</b>	<b>67,134</b>
Unallocated assets											<b>154,107</b>	<b>60,036</b>
Total assets											<b>216,949</b>	<b>127,170</b>
<b>LIABILITIES</b>												
Segment liabilities	<b>36</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>20,051</b>	<b>10,259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,087</b>	<b>10,330</b>
Unallocated liabilities											<b>103,934</b>	<b>95,810</b>
Total liabilities											<b>124,021</b>	<b>106,140</b>
Other segment information:												
Depreciation	<b>248</b>	<b>781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>-</b>	<b>514</b>	<b>781</b>
Depreciation - unallocated											<b>4,365</b>	<b>591</b>
Capital expenditure - unallocated											<b>18,917</b>	<b>1,626</b>

**(b) Geographical segments**

A summary of the geographical segments as at 31st March 2007 is set out as follows:

	Turnover		Capital expenditure		Total assets	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Asia & Middle East	<b>32,462</b>	27,348	<b>18,917</b>	1,626	<b>198,971</b>	99,962
United States of America ("USA")	<b>19,580</b>	9,105	–	–	<b>5,944</b>	12,776
United Kingdom ("UK")	<b>31,147</b>	2,795	–	–	<b>4,948</b>	2,456
Europe	<b>26,877</b>	2,428	–	–	<b>5,674</b>	6,627
Others	<b>8</b>	798	–	–	<b>1,412</b>	5,349
	<b><u>110,074</u></b>	<b><u>42,474</u></b>	<b><u>18,917</u></b>	<b><u>1,626</u></b>	<b><u>216,949</u></b>	<b><u>127,170</u></b>

**10. Post Balance Sheet Events**

- (a) On 12th April 2007, the Company entered into a placing agreement to place 110,000,000 new shares to not less than six places at the placing price of HK\$0.47 per shares. On 23rd April 2007, the placing has been completed, thereof creating an additional 110,000,000 shares in issue at that date. The total issued shares therefore increased from 969,417,500 to 1,079,417,500.
- (b) On 20th April 2007, the Company disposed of its entire interest in Sunny Sky Investments Management Limited to an independent third party at a consideration of HK\$150,000.
- (c) On 15th June 2007, Multi Channel Technology Limited ("MC"), a subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with a director of PalmPay Technology Company Limited ("PalmPay") and a connected person of the Company to purchase their entire interests in PalmPay which is a subsidiary of MM and indirectly held by the Company. Pursuant to the Agreement, the percentage of indirect equity interest held in PalmPay by the Company will be increased from approximately 49% to approximately 51% on completion. By a revolving facility letter signed between the Company and MC, the Company agreed to conditionally grant MC a revolving facility of up to a maximum amount of HK\$22 million at any time during each of the three financial years ending 31st March 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Results*

The Group recorded an increase of approximately 159% in its turnover for the year ended 31st March 2007 to approximately HK\$110.1 million compared to the previous corresponding year. Turnover from the internet appliances and related products segment recorded a decrease of approximately 91% to HK\$2.1 million in the current year compared to the previous corresponding year. There was no income from e-commerce platform and related services recorded in the current year because the Group was still looking for suitable business partner to promote these products. Turnover from the electronic devices and components segment recorded an increase of approximately 507% to HK\$100.0 million. The design and engineering services also recorded an increase of approximately 340% to HK\$4.8 million. The significant increase in turnover from electronic devices and components and design and engineering services were due to the fact that only one month of financial results were consolidated into the Group in the previous corresponding year. But in current year, the whole year financial results were consolidated into the Group. Besides, turnover from mobile payment gateway services of approximately HK\$3.2 million was recorded due to the acquisition of the Media Magic Technology Limited and its subsidiaries (“Media Magic Group”) for the current year.

The Group recorded an increase in gross profit of approximately 454% to HK\$24.3 million in the current year compared to approximately HK\$4.4 million in the previous corresponding year. It was mainly due to the increase in turnover in current year.

Net loss attributable to shareholders for the year ended 31st March 2007 amounted to approximately HK\$8.6 million (2006: net loss of approximately HK\$7.7 million). Losses during the year were mainly attributed to the recognition of equity-settled share-based payment, provision for impairment loss on investments and the write-off of the deferred tax assets.

#### *Liquidity, financial resources and capital structure*

As at 31st March 2007, the Group had total assets of approximately HK\$216.9 million (2006: approximately HK\$127.2 million), including net cash and bank balances of approximately HK\$33.8 million (2006: approximately HK\$4.4 million).

For the year ended 31st March 2007, the Group financed its operations mainly with its own working capital and was granted general banking facilities of approximately HK\$77.0 million (2006: approximately HK\$76.7 million). Approximately HK\$64.0 million was utilised at the balance sheet date (2006: approximately HK\$63.3 million). Approximately HK\$16.0 million of net book value of fixed assets was charged as at 31st March 2007 (2006: approximately HK\$12.0 million).

As at 31st March 2007, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was 0.30 (2006: 0.50). The Group had bank borrowings of approximately HK\$65.7 million as at 31st March 2007 (2006: approximately HK\$63.5 million).

Most of the transactions of the Group are denominated in United States Dollars (“USD”), Hong Kong Dollars (“HKD”) and Renminbi (“RMB”). As the exchange rates of USD and RMB to HKD are fairly stable, the Board is of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

#### *Segment information*

The revenue of the Group comprises the sales of internet appliances and related products, e-commerce platform and related services, trading and manufacturing electronic devices and components, design and engineering services and provision of a variety of mobile payment gateway services.

Revenue from the sales of internet appliances and related products decreased by approximately HK\$21.8 million and approximately 91% compared to the previous corresponding year and there was no income from e-commerce platform and related services in current year. Revenue from the trading and manufacturing electronic devices and components increased by approximately HK\$83.5 million and approximately 507%. Furthermore, revenue from the design and engineering services increased by approximately HK\$3.7 million and approximately 340%.

As to the geographical segments, sales of the Group generated in the Asia & Middle East, USA, UK and Europe market were approximately HK\$32 million, HK\$20 million, HK\$31 million and HK\$27 million respectively during the year ended 31st March 2007 (2006: approximately HK\$27 million, HK\$9 million, HK\$3 million and HK\$2 million respectively).

#### *New products and services*

During the year, the Group continued to develop new products to increase its products range and strengthen its competitive position. Besides, the aim to the acquisition of the Media Magic Group was to increase the service ranges of the Group and diversify the revenue base of the Group.

#### *Significant investments*

As at 31st March 2007, other than the investment in the listed securities of a company listed in Hong Kong detailed in note 16 to the financial statements in the annual report, the Group did not have any other significant investments. A provision of approximately HK\$9.5 million has been made for the impairment in value as at 31st March 2007 (2006: approximately HK\$8.9 million).

#### *Material acquisitions or disposals of subsidiaries and affiliated companies*

During the year, the Group has acquired 51% equity interest in Media Magic Group. The Media Magic Group is principally engaged in the provision of diversified mobile payment gateway services.

Details of this acquisition are disclosed in the Company’s circular dated 7th September 2006 and 14th December 2006.

### *Future plans for material investments and expected source of funding*

As at 31st March 2007, the Group did not have any plan for material investment or acquisition of material capital assets. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

### *Contingent liabilities*

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$1,144,000 as at 31st March 2007 (2006: HK\$1,343,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Save as disclosed above, the Group had no other material contingent liabilities (2006: Nil).

### *Employees and remuneration policies*

As at 31st March 2007, the Group had 537 (2006: 585) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK\$17.3 million for the year ended 31st March 2007 (2006: approximately HK\$0.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. 30,000,000 and 53,550,000 share options have been granted to directors, employees and consultants whereby HK\$4,140,000 and HK\$4,340,000 options money was received as at 8th May 2006 and 20th March 2007 respectively.

## **BUSINESS REVIEW**

The Group is principally engaged in the research, development, provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the trading and manufacturing of electronic devices and components and the provision of full range of design and engineering services to high end brand-named users in industry. During the year, the Group is also engaged in the provision of diversified mobile payment gateway services.

Due to the substantial decrease in turnover from the internet appliances and related products in previous years and the keen competition in this market, the Group further scaled down the operation this year in order to minimize the operating cost. Besides, the Group concentrated on the trading and manufacturing of electronic devices and components because it provided a stable source of revenue to maintain the operation of the Group. The design and engineering services were not only providing a high margin source of income but also enhancing the overall competitiveness of the Group business.

The directors believe that an increasing number of mobile phone users in PRC provides a great potential market to diversify the revenue base of the Group. Thus, the Group acquired Media Magic Group which is engaged in the provision of diversified mobile payment gateway services. The directors expected that the acquisition can capture the potential opportunities in the booming mobile phone market in PRC.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the year under review, none of the directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES**

The Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules was introduced on 1st January 2005, which set out the principles of good corporate governance and the Company is required to comply with the code provisions of the CCGP. The Company fully admits that good corporate governance, as part of the Company's culture can create values to the Group and our shareholders. Not only is it a question of regularity compliance but also is guidance of the Company to do the right things. Therefore, the Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in following, the Group has adopted practices which meet the code provisions of the CCGP throughout the year ended 31st March 2007 (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual, and (ii) no nomination committee of the Board is established.

Under the code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Wan Kin Chung since August 2005. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.



No nomination committee was established by the Company. The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

#### **CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31st March 2007.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

#### **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to directors. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun Vincent.

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31st March 2007 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By order of the Board  
**Union Bridge Holdings Limited**  
**Wan Kin Chung**  
*Chairman*

Hong Kong, 22nd June 2007

*As at the date of this announcement, the executive directors of the Company are Mr. Wan Kin Chung, Mr. Chan Francis Ping Kuen, Mr. Cheng Kwong Chung, Mr. Lo Ka Tong and Mr. Chan Hin Wing, James; the non-executive director of the Company is Dr. Ho Hoi Lap; and the independent non-executive directors of the Company are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu.*

*This announcement will remain on the “Latest Company Announcement” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from its date of publication.*