



UNIONBRIDGE

Union Bridge Holdings Limited

聯僑集團控股有限公司

*(incorporated in Bermuda with limited liability)*

(Stock Code : 8047)



2006-2007

INTERIM REPORT

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

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*This report, for which the directors of Union Bridge 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

For the six months ended 30th September, 2006

- the turnover of the Group was approximately HK\$57,846,000 as compared to the turnover of approximately HK\$15,750,000 recorded in the corresponding period.
- the profit attributable to equity holders of the Company was approximately HK\$822,000 (2005: loss HK\$1,325,000).
- the directors do not recommend the payment of an interim dividend (2005: Nil).
- the earnings per share of the Company was approximately HK0.19 cents (2005: loss HK0.44 cents).

## FINANCIAL RESULTS

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months and six months ended 30th September, 2006 together with the comparative unaudited figures for the corresponding periods in 2005 respectively as follows:

### Unaudited Consolidated Income Statement

For the three months and six months ended 30th September, 2006

	Notes	Six months ended 30th September,		Three months ended 30th September,	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	3	57,846	15,750	29,776	5,404
Cost of sales		(43,731)	(14,114)	(21,964)	(5,087)
Gross profit		14,115	1,636	7,812	317
Other revenue		653	2	523	2
Distribution costs		(624)	(54)	(418)	–
Administrative expenses		(8,462)	(1,739)	(4,260)	(880)
Other operating expenses		–	(466)	–	–
Profit/(Loss) from operating activities		5,682	(621)	3,657	(561)
Provision for impairment loss of other investments		(620)	(657)	(620)	(657)
Finance costs		(3,495)	(339)	(2,053)	(97)
Profit/(Loss) before taxation	4	1,567	(1,617)	984	(1,315)
Taxation	5	(745)	278	(683)	278
Profit/(Loss) for the period		822	(1,339)	301	(1,037)
Attributable to:					
Equity holders of the company		822	(1,325)	301	(1,025)
Minority interests		–	(14)	–	(12)
Dividends	9	–	–	–	–
Earnings/(Loss) per share	6				
– Basic (cent)		0.19	(0.44)	0.06	(0.34)
– Diluted (cent)		N/A	N/A	N/A	N/A




Unaudited Consolidated Balance Sheet

As at 30th September, 2006

	<i>Notes</i>	<b>As at 30th September, 2006 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2006 (Audited) HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		33,032	20,986
Available-for-sale financial assets		100	720
Intangible assets		26,051	25,537
Investments in associates		10,000	–
Deferred tax assets, net		96	658
		<u>69,279</u>	<u>47,901</u>
<b>CURRENT ASSETS</b>			
Inventories		29,565	20,856
Accounts receivable	7	34,741	33,663
Prepayments, deposits and other receivables		12,348	6,756
Financial assets at fair value through profit or loss		2,325	2,325
Tax prepaid		70	6
Pledged time deposits		13,316	11,239
Cash and bank balances		1,558	4,424
		<u>93,923</u>	<u>79,269</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	8	22,590	10,330
Bank borrowings, secured		59,583	62,281
Bank borrowings, unsecured		–	132
Current portion of finance lease payables		3,147	2,368
Other loans		1,079	1,134
Accrued expenses and other payables		5,019	3,064
Amount due to a shareholder		–	999
Taxes payable		1,130	973
		<u>92,548</u>	<u>81,281</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>1,375</u>	<u>(2,012)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>70,654</u>	<u>45,889</u>

	As at 30th September, 2006 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	As at 31st March, 2006 (Audited) <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings, secured	1,465	1,045
Finance lease payables	5,667	2,592
Convertible notes	8,631	8,415
Promissory notes	11,397	12,636
Provision for long services payment	171	171
	<u>27,331</u>	<u>24,859</u>
<b>NET ASSETS</b>	<u>43,323</u>	<u>21,030</u>
<b>CAPITAL AND RESERVES</b>		
Issued capital	23,250	18,750
Reserves	18,085	292
	<u>41,335</u>	19,042
<b>MINORITY INTERESTS</b>	1,988	1,988
<b>TOTAL EQUITY</b>	<u>43,323</u>	<u>21,030</u>





## Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2006

	Convertible						Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Share Capital	Share premium	Contributed surplus	Exchange reserve	notes reserve	Accumulated losses			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1st April, 2005	15,000	5,902	6,015	108	-	(10,207)	16,818	1,999	18,817
Net loss for the period	-	-	-	-	-	(1,325)	(1,325)	(14)	(1,339)
At 30th September, 2005	<u>15,000</u>	<u>5,902</u>	<u>6,015</u>	<u>108</u>	<u>-</u>	<u>(11,532)</u>	<u>15,493</u>	<u>1,985</u>	<u>17,478</u>
At 1st April, 2006	18,750	11,152	6,015	96	885	(17,856)	19,042	1,988	21,030
Issue of shares	3,000	15,000	-	-	-	-	18,000	-	18,000
Share issue expenses	-	(811)	-	-	-	-	(811)	-	(811)
Exercise of share options	1,500	2,640	-	-	-	-	4,140	-	4,140
Arising on consolidation of a subsidiary	-	-	-	142	-	-	142	-	142
Net profit for the period	-	-	-	-	-	822	822	-	822
At 30th September, 2006	<u>23,250</u>	<u>27,981</u>	<u>6,015</u>	<u>238</u>	<u>885</u>	<u>(17,034)</u>	<u>41,335</u>	<u>1,988</u>	<u>43,323</u>

## Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2006

	Six months ended 30th September, 2006 (Unaudited) HK\$'000	Six months ended 30th September, 2005 (Unaudited) HK\$'000
Net cash inflow from operating activities	7,013	124
Net cash outflow from investing activities	(6,087)	–
Net cash outflow from financing activities	(5,182)	–
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,256)	124
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(22,124)	78
	(26,380)	202
Change in foreign exchange rate	142	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(26,238)	202
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,558	202
Bank overdrafts	(27,796)	–
	(26,238)	202





*Notes:*

**1. General**

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the GEM of the Stock Exchange.

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 electronics devices and components and the provision of a full range of design and engineering services to high-end brand-named users in the industry.

**2. Basis of presentation**

The unaudited consolidated results have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit and loss, which have been measured at fair value and promissory notes which have been measured at amortised cost and in accordance with Hong Kong Financial Reporting Standard ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as the "New HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2006.

**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.

An analysis of the Group's turnover and segment results by business and geographical segment is as follows:

(a) *Business segments*

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

	Six months ended 30th September,									
	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Turnover	1,804	14,813	-	937	52,019	-	4,023	-	57,846	15,750
Segment results	161	466	-	324	11,152	-	2,802	-	14,115	790
Other revenue									653	2
Net unallocated expenses									(9,086)	(1,413)
Profit/(Loss) from operating activities									5,682	(621)
Provision for impairment loss of other investments									(620)	(657)
Finance costs									(3,495)	(339)
Profit/(Loss) before taxation									1,567	(1,617)
Taxation									(745)	278
Profit/(Loss) for the period									822	(1,339)



	As at 30th September,									
	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>										
Segment assets	14,485	13,959	-	35	59,173	-	16,285	-	89,943	13,994
Unallocated assets									73,259	5,664
Total assets									<u>163,202</u>	<u>19,658</u>
<b>Liabilities</b>										
Segment liabilities	21,589	82	-	-	22,516	-	-	-	44,105	82
Unallocated liabilities									75,774	2,099
Total liabilities									<u>119,879</u>	<u>2,181</u>
Other segment information:										
Depreciation	223	391	-	-	1,320	-	71	-	1,614	391
Depreciation – unallocated									680	199
Capital expenditure – unallocated									<u>14,340</u>	-

(b) *Geographical segments*

A summary of the geographical segments for the six months ended 30 September, 2006 and the corresponding period in 2005 is as follow:

	Asia & Middle East		United State of America ("USA")		United Kingdom ("UK")		Europe		Others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover												
External Sales	19,656	15,750	9,451	-	16,800	-	11,935	-	4	-	57,846	15,750

#### 4. Profit/(Loss) before taxation

The Group's profit/(loss) before taxation is arrived at after charging the following:

	Six months ended		Three months ended	
	30th September, 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	30th September, 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest on overdrafts and bank loans	3,495	339	2,053	97
Amortisation of product development cost	802	–	401	–
Depreciation of fixed assets	2,294	590	1,308	360
	<u>6,591</u>	<u>929</u>	<u>3,762</u>	<u>457</u>

#### 5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: Nil) on the estimated profit arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended		Three months ended	
	30th September, 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	30th September, 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current tax	182	(278)	120	(278)
Deferred tax	563	–	563	–
Tax charge/(credit) for the period	<u>745</u>	<u>(278)</u>	<u>683</u>	<u>(278)</u>

Deferred tax is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.

#### 6. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the unaudited net profit attributable to equity holders of the Company for the three months and six months ended 30th September, 2006 of approximately HK\$301,000 and HK\$822,000 respectively (three months and six months ended 30th September, 2005: unaudited net loss of approximately HK\$1,025,000 and HK\$1,325,000 respectively) and the weighted average number of 465,000,000 and 434,016,000 ordinary shares of the Company (three months and six months ended 30th September, 2005: 300,000,000 shares).

Diluted earnings/(loss) per share is not presented as there were no diluting events existed during the three months and six months ended 30th September, 2006 and the corresponding periods in 2005.



## 7. Accounts receivable

The aging analysis of the Group's accounts receivable at the balance sheet date, based on date of goods delivered, is as follows:

	<b>As at 30th September, 2006 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2006 (Audited) HK\$'000</b>
Within 30 days	11,815	16,556
31 to 60 days	6,428	4,027
61 to 90 days	3,605	3,384
91 to 120 days	4,130	5,911
Over 120 days	8,763	3,785
	<u>34,741</u>	<u>33,663</u>

## 8. Accounts payable

The aging analysis of the Group's accounts payable at the balance sheet date, based on date of goods received, is as follows:

	<b>As at 30th September, 2006 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2006 (Audited) HK\$'000</b>
Within 30 days	5,334	6,131
31 to 60 days	4,412	1,605
61 to 90 days	3,403	1,540
91 to 120 days	3,337	372
Over 120 days	6,104	682
	<u>22,590</u>	<u>10,330</u>

## 9. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2006 (2005: Nil).

## 10. Post balance sheet event

On 12th October, 2006, the Company entered into a conditional warrant placing agreement with a subscriber in relation to a private placing of 93,000,000 warrants at the warrant issue price of HK\$0.015 per warrant. The warrants entitle the subscriber to subscribe for the new shares at the subscription price of HK\$0.15 per new share for a period of 18 months commencing from the date of issue of warrants.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Results

The Group recorded an increase of approximately 267% in its turnover to approximately HK\$57.8 million for the six months ended 30th September, 2006 as compared to the corresponding period in previous year. This was attributable to the acquisition of the Union Bridge Group in March 2006. Sales of internet appliances and related products decreased by approximately 88% to approximately HK\$1.8 million compared to previous corresponding period. The decrease in sales of internet appliances and related products and services fee income from e-commerce platform and related services compared to the corresponding period in previous year was due to the reduced orders placed by the customers. There was no income recorded from the development of e-commerce and related services during the period because the Group was still looking for suitable business partner to promote these products. Turnover from the selling of electronic devices and component products amounted to approximately HK\$52 million, contributing approximately 90% of the Group's turnover, whereas turnover from design and engineering services amounted approximately HK\$4 million, contributing approximately 7% of the Group's turnover. An increase in gross profit margin was recorded from approximately 10% in the corresponding period in previous year to approximately 24% in the current period. The increase was due to the consolidation of the Union Bridge Group which contributed high gross profit margin.

The net profit from ordinary activities attributable to equity holders for the six months ended 30th September, 2006 amounted to approximately HK\$822,000, compared with a net loss from ordinary activities attributable to equity holders for the corresponding period in previous year of approximately HK\$1,325,000. Distribution costs and administrative expenses increased substantially compared to the previous corresponding period due to the increase of business activities as a result of the consolidation of the Union Bridge Group.

#### Liquidity, financial resources and capital structure

As at 30th September, 2006, the Group had total assets of approximately HK\$163.2 million (31st March, 2006: approximately HK\$127.2 million), including cash and cash equivalents of approximately HK\$1,558,000 (31st March, 2006: approximately HK\$4,424,000).

For the period ended 30th September, 2006, the Group financed its operations mainly with its own working capital and general banking facilities. As at the balance sheet date, the total banking facilities granted to the Group amounted to approximately HK\$82.2 million (31st March, 2006: HK\$76.7 million) of which approximately HK\$69.7 million was utilized at the balance sheet date (31st March, 2006 HK\$63.3 million). Approximately HK\$20.6 million of assets was pledged for the banking facilities at the balance sheet date (31st March, 2006: HK\$18.6 million).

Net book values of the Group's fixed assets held under finance leases as at 30th September, 2006 amounted to approximately HK\$13,596,000 (31st March, 2006: HK\$6,925,000)



As at 30th September, 2006, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was 0.37 (31st March, 2006: 0.50) and the Group had bank borrowings of approximately HK\$61 million as at 30th September, 2006 (31st March, 2006: HK\$63.5 million).

Most of the transactions of the Group are denominated in US Dollars, Hong Kong Dollars and Renminbi. As the exchange rate of US Dollars and Renminbi to Hong Kong Dollars are fairly stable, the Board is of the view that the exposure to foreign currency exchange risk is minimal. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

#### Material acquisitions or disposal of subsidiaries and affiliated companies

During the six months ended 30th September, 2006, Upper Power Limited, a wholly owned subsidiary of the Company entered into a Subscription Agreement and Sale and Purchase Agreement in respect of subscription and acquisition of 20% of issued share capital of Media Magic Technology Limited for a total consideration of HK\$10,000,000. Media Magic is a company incorporated in BVI on 5th January 2004. Media Magic together with its subsidiaries, have not carried out any business since its incorporation. According to the future business plan of the Media Magic Group, it will be principally engaged in the provision of diversified mobile value-added services, including but not limited to, the provision of mobile online games, patented popular electronic cartoon characters and animation series download etc., for mobile phone users in the PRC through franchising and cooperation with telecommunication business licensed providers. For further details, please refer to the Company's announcement dated 22nd August, 2006.

Saved as disclosed above, there were no other material acquisitions or disposal of subsidiaries and affiliated companies in the course of the six months ended 30th September, 2006.

#### Contingent liabilities

The Group had a contingent liability in respect of possible future long services payment to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$1,343,000 as at 30th September, 2006 (31st March, 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 services payment 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.

Saved as disclosed above, the Group had no other material contingent liabilities (31st March, 2006: Nil).

## Employees and remuneration policies

As at 30th September, 2006, the Group had 556 (31st March, 2006: 585) employees including directors. Total staff-costs (excluding directors' emoluments) amounted to approximately HK\$2,930,000 for the six months ended 30th September, 2006, as compared to approximately HK\$526,000 in the previous corresponding period. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. 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 for 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.

## Business review and prospects

After the acquisition of the Union Bridge Group, the trading and manufacturing of electronic devices and components as well as the provision of full range of design and engineering services contribute significantly to the turnover of the Group, which compensates the decrease in sales of internet appliances and related product and services fee from provision of services in relation to e-commerce platform and related services due to the intense competitive environment in electronic business. Going forward, the Group will look for other opportunities to diversify its revenue base, explore new markets and develop new products as well as explore investment opportunities so as to optimize the shareholders' value.

On 4th May, 2006, the Company granted 30,000,000 share options to its directors, employees and consultants. On 8th May, 2006, these share options were exercised by the holders, thereof creating an additional 30,000,000 shares in issue at that date. The total issued shares therefore increased from 375,000,000 to 405,000,000.

On 19th June, 2006, the Company completed a conditional placing with a placing agent pursuant to which the placing agent placed up to 60,000,000 new shares of the Company at HK\$0.30 per share. After completion of the placing, the total issued shares of the Company increased from 405,000,000 shares to 465,000,000 shares. The net proceeds of the placing was approximately HK\$17.1 million. HK\$10 million had been applied for the consideration for the acquisition of 20% of the shareholding interest of a business engaged in provision of mobile value-add service business in the PRC as disclosed in the announcement of the Company dated 22nd August, 2006 and circular dated 7th September, 2006.

On 22nd August, 2006, Upper Power Limited, a wholly owned subsidiary completed the subscription and acquisition of 20% of issued share capital of Media Magic Technology Limited which will be principally engaged in the provision of diversified mobile value-added services, including but not limited to, the provision of mobile online games, patented popular electronic cartoon characters and animation series download etc, for mobile phone users in PRC through franchising and cooperation with telecommunication business licensed providers.





## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2006, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

### Long positions in shares of the Company:

Director	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Wan Kin Chung	Personal interest	300,000	0.06%
Mr. Wong Tak Shing	Personal interest	3,750,000	0.81%
Mr. Cheng Kwong Chung	Personal interest	3,750,000	0.81%
Mr. Lo Ka Tong	Personal interest	3,750,000	0.81%

Save as disclosed above, as at 30th September, 2006, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 18th October, 2001 pursuant to a written resolution of the Company. On 4th May, 2006, options to subscribe for an aggregate 30,000,000 shares at HK\$0.138 per share had been granted by the Company under the Scheme. On 8th May, 2006, all the outstanding 30,000,000 share options were exercised. As at 30th September, 2006, no share options granted under the Scheme were outstanding. Particulars and movements of the share options granted under the Scheme were as follows:

Categories of grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 31/3/2006	Granted during the period	Exercised during the period	Outstanding as at 30/9/2006
<b>Directors</b>							
Mr. Wan Kin Chung	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	300,000	300,000	–
Mr. Wong Tak Shing	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	3,750,000	3,750,000	–
Mr. Cheng Kwong Chung	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	3,750,000	3,750,000	–
<b>Employees</b>	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	14,700,000	14,700,000	–
<b>Consultants</b>	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	7,500,000	7,500,000	–

The directors consider that it is inappropriate to state the value of the options granted under the Scheme on the ground that certain crucial factors for such valuation are variables such as the expected volatility and interest rate, which cannot be reasonably determined at this stage. Any valuation of the share options based on speculation assumptions in respect of these variables would not be meaningful and would be misleading to the shareholders of the Company.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th September, 2006, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions in shares of the Company:

Name of shareholders	Number of ordinary shares held	Approximate percentage of the shareholding in the Company
Starryland Profits Limited ( <i>Note 1</i> )	202,500,000	43.55%
Lau Kim Hung, Jack ( <i>Note 1</i> )	202,500,000	43.55%
Chan Yiu Kan, Katie ( <i>Note 1</i> )	202,500,000	43.55%
Union Bridge Power Systems Limited ( <i>Note 2</i> )	75,000,000	16.13% ( <i>Note 2</i> )

### Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack. Ms. Chan Yiu Kan, Katie is deemed to be interested in the 202,500,000 shares of the Company by virtue of her being the spouse of Mr. Lau Kim Hung, Jack.
2. Union Bridge Power Systems Limited is interested in 75,000,000 shares of the Company and 48,947,368 conversion shares to be issued pursuant to the convertible notes issued by the Company. If 48,947,368 conversion shares to be issued, Union Bridge Power Systems Limited will be interested in 24.12% of the total issued shares of the Company enlarged by the conversion shares.

Save as disclosed above, as at 30th September, 2006, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30th September, 2006, there were no purchases, sales or redemptions of the Company's listed shares by the Company or any of its subsidiaries.

## COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Throughout the period ended 30th September, 2006, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

## CODE ON CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30th September, 2006 except that: (i) the roles of Chairman and chief executive officer are not separated and are performed by the same individual; and (ii) no nomination committee of the Board is established.



## AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 18th October, 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu. The unaudited financial statements of the Group for the period ended 30th September, 2006 have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 13th November, 2006

*As at the date of this report, the board of directors of the Company comprises five executive Directors, namely Mr. Wan Kin Chung, Mr. Wong Tak Shing, Mr. Cheng Kwong Chung, Mr. Lo Ka Tong and Mr. Chan Hin Wing, James and three independent non-executive Directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu.*