

Chairman's Statement

On behalf of the Board of Directors, I present to you the Group's annual report for the year ended 31st December 2004.

RESULTS

The Group's turnover for the year under review was HK\$143,930,000 (2003: HK\$46,198,000), representing an increase of 211.6%. The increase of turnover was mainly due to the disposal of properties amounted to HK\$83,779,000 (2003: Nil), representing 58.2% of the 2004 turnover. The revenues generated by the sales of electronic components recorded an increase of 20.3% from HK\$44,266,000 in 2003 to HK\$53,248,000 in 2004, representing 37.0% of the Group's turnover. The loss after taxation for the year was HK\$39,983,000 (2003: HK\$39,448,000), representing an increase of 1.4%.

BUSINESS REVIEW

Strong Way International Limited ("SWIL"), the Group's 60% interest subsidiary, is principally engaged in design and distribution of "SONIX" brand integrated circuits for toy manufacturing in Hong Kong and the South East Asia Region. SWIL's Guangzhou office has already built up good business relationship with a number of household appliances manufacturers in Mainland China, which provide good foundation for its future business growth.

On 20th July 2004, the Group entered into a provisional sale and purchase agreement to sell the whole floor of 8/F., Dynamic Cargo Centre for HK\$10,200,000. The transaction was completed on 3rd September 2004. On 9th September 2004, the Group entered into a memorandum of sale and purchase to sell the whole floor of 9/F, Harcourt House for HK\$72,599,000, and lease back the property at monthly rent of HK\$239,000 and HK\$256,000 for first and second year from 30th October 2004 respectively. The transaction was completed in October 2004 and the loss has been accounted for in the year under review.

As at 31st December 2004, the Group held 8% interest in Beijing Glory Real Estate Development Company Limited, formerly a jointly controlled entity in Mainland China.

On 15th February 2005, the Company entered into a conditional agreement with a party connected to Mr Tong Nai Kan ("Mr Tong") in relation to the acquisition of a company controlling a web site known as ChinaCCM.com in mainland China and with office based in Beijing, PRC. Since the conditional precedents have not been fulfilled, all the parties to the agreement agreed on 7th April 2005 to terminate the transaction.

FINANCIAL REVIEW

As at 31st December 2004, the Group had current assets of HK\$57,802,000 (2003: HK\$22,287,000) and current liabilities of HK\$47,432,000 (2003: HK\$56,295,000) and cash and bank balances of HK\$6,488,000 (2003: HK\$4,544,000).

The Group has repaid all the bank loans during the year.

As most of the cash reserves has placed in HK dollars short-term deposits with major banks in Hong Kong, exposure to exchange fluctuation is minimal.

On 23rd August 2004, the Company entered into a loan capitalisation agreement with Mr Tong, a substantial shareholder of the Company, and Time Prosper Holdings Limited ("Time Prosper"), a company beneficially owned by Mr Tong, to settle HK\$30,000,000 of a shareholder's loan indebted to Mr Tong by way of issuing 120,000,000 shares of the

Company at the price of HK\$0.25 per share to Time Prosper. The transaction was approved by the independent shareholders at an extraordinary general meeting of the Company held on 7th October 2004. Following the completion of the loan capitalisation on 15th October 2004, Mr Tong held 180,000,000 shares of the Company, representing 29.48% of the issued share capital of the Company.

Following the capitalisation of the shareholder's loan and the disposals of properties during the year, the long-term liabilities of the Group has been substantially decreased to HK\$970,000 as at 31st December 2004 (2003: HK\$78,806,000).

PROSPECTS

The Board believes that both the turnover and profit of SWIL will achieve improved growth rates in the forthcoming years and is optimistic in the development and prospects of SWIL's representative office in Guangzhou, Mainland China, which aims at marketing the new computer peripherals and home appliances products of SONIX brand to embark on the enormous market of Mainland China.

In order to reflect a better picture of the Group's identity and existing business to the shareholders and the public, the Company changed its name to New Smart Holdings Limited effective from 20th October 2004.

As a whole, the Group will actively identify opportunities to invest in the property, mainly in Mainland China, and technology-related business so as to bring in significant improved returns and contribute enhanced value to our shareholders.

DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the year ended 31st December 2004.

HUMAN RESOURCES

As at 31st December 2004, the Group had 44 employees in Hong Kong and 26 employees in Mainland China respectively. Employee remunerations are in accordance with nature of their duties and remain competitive under current market trend. Staff benefits include medical schemes, Mandatory Provident Fund schemes and share options scheme for Hong Kong employees.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

On Behalf of the Board

Tong Nai Kan

Chairman and Managing Director

Hong Kong, 13th April 2005