

RESULTS

For the six months ended 30 June 2006 (the “Period”), the turnover of New Smart Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was HK\$37,318,000 (2005: HK\$50,923,000), representing a decrease of 26.7%. During the Period under review, there was no disposal of listed shares as in 2005 and the turnover was solely the sales of electronic components. Excluding the disposal of listed shares, the turnover of the Group increased by 13.8% from HK\$32,792,000 in 2005. The loss after taxation for the Period was HK\$22,157,000 (2005: HK\$16,577,000), representing an increase of 33.7%. The increase of the loss after taxation was mainly due to the staff costs in respect of share options granted to employees and directors of the Company of HK\$12,357,000 (2005: nil).

INTERIM DIVIDEND

The Board of Directors (the “Board” or “Directors”) does not recommend the payment of any interim dividend for the Period.

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. For the Period under review, profit after tax with SWIL was HK\$1,200,000 (2005: loss of HK\$2,000,000). During the Period, SWIL continuously enlarged its sales network in Mainland China through an experienced sales agent in Guangzhou which had already built up good business relationship with a number of household appliances manufacturers. The Group believes that such method of sales through an agent is more cost-effective to SWIL and could have a wider customer base for its future business growth.

As at 30 June 2006, the Group held 8% interest in Beijing Glory Real Estate Development Company Limited, formerly a jointly controlled entity in Mainland China.

On 12 April 2006 and 27 April 2006, Marvel Time Holdings Limited (“MTHL”), a wholly owned subsidiary, entered into a conditional sale and purchase agreement and its supplement with Mr. Tan Chuanrong (“Mr. Tan”), pursuant to which, Mr. Tan conditionally agreed to sell, and MTHL conditionally agreed to purchase the entire issued share capital of Sanxia Gas (BVI) Investment Limited (“Sanxia Gas”), which operates gas supply in Chongqing, the People’s Republic of China (the “PRC”), at a consideration of HK\$250,000,000, of which HK\$35,000,000 was paid in cash, HK\$38,125,000 was satisfied by the allotment and issue of 152,500,000 shares of the Company of HK\$0.25 each and the remaining HK\$176,875,000 will be satisfied by MTHL issuing promissory notes to Mr. Tan. Acquisition of the entire interests in Sanxia Gas was duly approved by the shareholders of the Company at an extraordinary general meeting held on 19 July 2006 and was completed on 7 August 2006.