



U-CYBER TECHNOLOGY HOLDINGS LIMITED

航宇數碼科技控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00091)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

RESULTS

The Board of Directors (the “Board”) of U-Cyber Technology Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiary companies (the “Group”) for the six months ended 30 June 2004 are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2004

| | Note | 2004 HK\$'000 | 2003 HK\$'000 |
|--|------|------------------|------------------|
| Turnover | 2 | 28,134 | 113,382 |
| Cost of sales | | (24,193) | (97,345) |
| Gross profit | | 3,941 | 16,037 |
| Other revenues | | 40 | 1,244 |
| Administrative expenses | | (15,446) | (18,955) |
| Provision against investment properties | | (12,000) | — |
| Unrealised loss of trading investments | | (2,267) | — |
| Loss on deemed partial disposal of an associated company | | — | (3,484) |
| Operating loss | 4 | (25,732) | (5,158) |
| Financial expenses | 5 | (1,728) | (2,395) |
| Share of loss of a jointly controlled entity | | — | (827) |
| Share of losses of associated companies | | — | (1,410) |
| Loss before taxation | | (27,460) | (9,790) |
| Taxation credit | 6 | — | 19 |
| Loss after taxation | | (27,460) | (9,771) |
| Minority interests | | — | 1,006 |
| Loss attributable to shareholders | | (27,460) | (8,765) |
| | | HK Cents | HK Cents |
| Loss per share | 7 | (5.6) | (1.8) |

Notes:

1 Basis of preparation and accounting policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain properties, and in conformity with Hong Kong Financial Reporting Standards.

The accounting policies adopted for the preparation of these accounts are consistent with those described in the 2003 Annual Report.

2 Turnover

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--------------------------------|------------------|------------------|
| Sales of electronic components | 24,604 | 18,130 |
| Sales of investments | 2,940 | 94,181 |
| Property rental | 590 | 1,071 |
| | <u>28,134</u> | <u>113,382</u> |

3 Segment information

The Group is principally engaged in property investment and technology-related business. An analysis of the turnover and operating results by principal activities is as follows:

| | Property investment HK\$'000 | Technology HK\$'000 | Corporate and others HK\$'000 | Total HK\$'000 |
|--------------------------------------|---------------------------------|------------------------|----------------------------------|-------------------|
| Six months ended 30 June 2004 | | | | |
| Turnover | <u>590</u> | <u>24,604</u> | <u>2,940</u> | <u>28,134</u> |
| Segment results | (11,172) | (1,091) | (13,469) | (25,732) |
| Financial expenses | | | | (1,728) |
| Loss attributable to shareholders | | | | <u>(27,460)</u> |
| Six months ended 30 June 2003 | | | | |
| Turnover | <u>95,252</u> | <u>18,130</u> | <u>—</u> | <u>113,382</u> |
| Segment results | 11,970 | (4,764) | (12,364) | (5,158) |
| Financial expenses | | | | (2,395) |
| Share of results of | | | | |
| Jointly controlled entity | — | — | (827) | (827) |
| Associated companies | — | (1,410) | — | (1,410) |
| Loss before taxation | | | | (9,790) |
| Taxation | | | | 19 |
| Minority interests | — | 1,004 | 2 | 1,006 |
| Loss attributable to shareholders | | | | <u>(8,765)</u> |

A summary of geographical segments is set out as follows:

| | 2004 Turnover HK\$'000 | 2004 Operating results HK\$'000 | 2003 Turnover HK\$'000 | 2003 Operating results HK\$'000 |
|----------------|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
| Hong Kong | 28,134 | (24,803) | 19,201 | (15,864) |
| Mainland China | — | (929) | 94,181 | 10,706 |
| | <u>28,134</u> | <u>(25,732)</u> | <u>113,382</u> | <u>(5,158)</u> |

4 Operating loss

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---|------------------|------------------|
| Operating loss is stated after crediting: | | |
| Gross rental income | 590 | 1,071 |
| Less: related outgoing | (19) | (24) |
| Bad debt recovered | — | 600 |
| | <u>—</u> | <u>—</u> |

and after charging:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--|------------------|------------------|
| Staff costs (including Directors' emoluments) | 9,739 | 11,973 |
| Depreciation | 457 | 303 |
| Operating lease rental expenses for land and buildings | 231 | 85 |
| Amortisation of goodwill | 541 | 2,172 |
| | <u>—</u> | <u>—</u> |

5 Financial expenses

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Interest on bank loans and overdrafts | 969 | 1,285 |
| Interest on short-term loans | 745 | 1,110 |
| Interest on finance lease obligations | 14 | — |
| | <u>1,728</u> | <u>2,395</u> |

6 Taxation credit

| | 2004 HK\$'000 | 2003 HK\$'000 |
|----------------------------------|------------------|------------------|
| Company and subsidiary companies | | |
| Hong Kong profits tax | — | 40 |
| Associated companies | | |
| Overseas taxation | — | (21) |
| | <u>—</u> | <u>19</u> |

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The Group has not made any provision for the tax liabilities of a subsidiary company amounting to HK\$89.5 million in respect of its profit from the disposal of properties in 1994 and 1995, details of which are more fully described in note 10 to the 2003 Annual Report.

7 Loss per share

The calculation of loss per share is based on the loss attributable to shareholders for the period of HK\$27,460,000 (2003: HK\$8,765,000) and 490,584,391 shares in issue during the period.

Diluted loss per share is not presented as there are no dilutive potential shares for the options granted under the Company's share option scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the period ended 30 June 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover for the period under review was HK\$28,134,000 (2003: HK\$113,382,000), representing a decrease of 75.2%. During the period under review, sales of investment amounted to HK\$2,940,000 (2003: HK\$94,181,000), representing a decrease of 96.9% and the revenues generated by the sales of electronic components recorded an increase of 35.7% from HK\$18,130,000 in 2003 to HK\$24,604,000 in 2004, representing 87.5% of the Group's turnover.

In view of the subsequent announcement of the disposals of properties by the Group, a provision of HK\$12,000,000 was made against properties for the period. The loss attributable to shareholders for the period was HK\$27,460,000 (2003: HK\$8,765,000), representing an increase of 213.3%.

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 20 July 2004, the Group entered into a provisional sale and purchase agreement to sell whole floor of 8/F., Dynamic Cargo Centre for HK\$10,200,000. The transaction was completed on 3 September 2004.

On 9 September 2004, the Group entered into a Memorandum of sale and purchase to sell whole floor of 9/F, Harcourt House for HK\$72,598,878, and lease back the property at monthly rent of HK\$239,000 and HK\$256,000 for first and second year respectively. The transaction constitutes a very substantial disposal under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and is subjected to the shareholder's approval in an extraordinary general meeting expected to be held in mid October 2004. The disposal, if approved by the shareholders, is expected to be completed by the end of October 2004. The loss of disposal is expected to be HK\$4,200,000 and has been provided in the accounts of the period under review.

As at 30 June 2004, the Group held 8% interest in Beijing Glory Real Estate Development Company Limited, a former jointly controlled entity in Mainland China.

During the period, the Group has disposed 21,050,000 shares in INNOMAXX Biotechnology Group Limited (“INNOMAXX”). As at 30 June 2004, the Group's shareholding in INNOMAXX was 6.39%.

FINANCING

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. The Group's cash and bank balances as at 30 June 2004 amounted to HK\$4,055,000 (31 December 2003: HK\$4,544,000).

As at 30 June 2004, the Group had net current liabilities of HK\$40,048,000 (31 December 2003: HK\$34,008,000) and a current ratio of 0.44 (31 December 2003: 0.40). The gearing ratio, as a ratio of long-term borrowing to total assets, was 52.96% (31 December 2003: 35.32%). As at 30 June 2004, the Group's bank borrowings amounted to HK\$49,688,000 (31 December 2003: HK\$50,657,000), which was fully secured by the Group's certain investment properties in Hong Kong with carrying value of HK\$77,500,000 (31 December 2003: HK\$89,500,000). All the Group's bank borrowing was denominated in Hong Kong dollar and carried interest rate from 1.5% per annum below or equivalent to the Best Lending Rate of the Bank.

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

On 23 August 2004, the Company entered into a Loan Capitalisation agreement with Time Prosper Holdings Limited (“Time Prosper”), Mr. Tong Nai Kan (“Mr. Tong”) , a substantial shareholder of the Company, to settle shareholder's loan of HK\$30,000,000 by issuing 120,000,000 shares to Time Prosper, a company wholly owned by Mr. Tong. The transaction constitutes a connected transaction under the Listing Rules and is conditional upon, inter alia, approval by the independent shareholders, voting by way of poll, at an extraordinary general meeting of the Company to be held on 7 October 2004. Following the capitalization of the shareholder's loan and the disposals of properties as announced by the Group on 22 July and 9 September 2004, the liabilities of the Group will be decreased and the financial position of the Group will be improved.

PROSPECTS

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

In order to reflect a clear identity and better clarity of the Group's existing business to the Shareholders and the public, the Company proposed to change the Company's name to New Smart Holdings Limited (駿新集團有限公司). The proposed change of name is subject to the passing of a special resolution by the shareholders at an extraordinary general meeting to be held on 7 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.

HUMAN RESOURCES

As at 30 June 2004, the Group had 42 employees in Hong Kong and 28 employees in Mainland China. 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 option scheme for Hong Kong employees.

AUDIT COMMITTEE

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Company, internal control and financial reporting matters including a review of the interim financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the accounting period under review except that the independent non-executive directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES IN THE COMPANY

During the period under review, neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any shares in the Company.

PUBLISMENT OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (<http://www.hkex.com.hk>) as soon as possible.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to express our sincere thanks to our shareholders for their support and to our staff for their contributions and diligence during the period.

By Order of the Board

Tong Nai Kan

Chairman and Managing Director

Hong Kong, 21 September 2004

As at the date of this announcement, the Board comprises Mr. Tong Nai Kan, Mr. Leung Wai Kwan and Miss Chow Sim Chu, Shirley as executive Directors and Mr. Tang Tin Sek and Mr. Ko Ming Tung, Edward as independent non-executive Directors.