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Smart Union

SMART UNION GROUP (HOLDINGS) LIMITED

(Provisional Liquidators Appointed)

合俊集團(控股)有限公司

(已委任臨時清盤人)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2700)

Financial adviser



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

EXCLUSIVITY AGREEMENT

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

On 12 May 2009, the Investor, Mr. Yang, Mr. Ting, the Company and the Provisional Liquidators entered into the Exclusivity Agreement to grant the Investor an exclusivity period to prepare the Resumption Proposal; to negotiate in good faith and enter into the Restructuring Agreement for the implementation of the Restructuring Proposal.

Asian Capital has been appointed by the Provisional Liquidators as the financial adviser to the Company for the restructuring of the Company.

Trading in the shares of the Company has been suspended since 9:44 a.m. on 15 October 2008 at the request of the Company and will remain suspended until further notice.

INTRODUCTION

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

Reference is made to the announcements of the Company dated 17 and 22 October 2008, 10 February 2009 and 9 April 2009 (the “**Announcements**”). Unless otherwise stated, terms used herein shall have the same meanings as those defined in the Announcements.

On 12 May 2009, an exclusivity agreement (the “**Exclusivity Agreement**”) was entered into amongst Gold Bless International Invest Limited (the “**Investor**”), Mr. Yang Wang Jian (“**Mr. Yang**”), Mr. Ting Wai-min (“**Mr. Ting**”), the Company and the Provisional Liquidators to grant the Investor exclusivity to prepare a resumption proposal (the “**Resumption Proposal**”); to negotiate in good faith

and enter into a legally binding agreement (the “**Restructuring Agreement**”) for the implementation of the restructuring proposal in connection with the restructuring of the Company (the “**Proposed Restructuring**”). The terms of the Exclusivity Agreement are subject to approvals and consequential orders from the High Court (the “**Approvals**”).

EXCLUSIVITY AGREEMENT

Date : 12 May 2009

Parties : (i) the Investor;
(ii) Mr. Yang;
(iii) Mr. Ting;
(iv) the Company; and
(v) the Provisional Liquidators
(collectively the “**Parties**”)

The Investor is a company incorporated in the British Virgin Islands. As at the date of the Exclusivity Agreement, Mr. Yang is the sole beneficial owner of the entire issued share capital of the Investor and is the sole director of the Investor. Mr. Yang and Mr. Ting jointly and severally warrant to the Company and the Provisional Liquidators that, before the expiry of the Exclusivity Period (defined below), the issued share capital of the Investor will be owned as to 85% by Mr. Yang and 15% by Mr. Ting and until then, no transfer or issue of the shares of the Investor to any person other than Mr. Yang and Mr. Ting will be made without the prior written consent of the Company.

The Investor, Mr. Yang and Mr. Ting and associates (as defined under the Listing Rules) and parties acting in concert with any of them are independent third parties, and not connected persons (as defined under the Listing Rules) of the Company; none of them have bought or otherwise traded in any shares of the Company within 6 months prior to the date of the Exclusivity Agreement.

Mr. Yang and Mr. Ting jointly and severally undertake to procure the performance of the Investor’s obligations under the Exclusivity Agreement.

Exclusivity

From the date of the Exclusivity Agreement and for the period of six months from and inclusive of the date of obtaining the Approvals, neither the Provisional Liquidators, the Company nor its directors, advisers, agents or employees shall, directly or indirectly, enter into any discussion or agreement with any person except the Investor, Mr. Ting and Mr. Yang, their advisers, agents and employees relating to the acquisition of a controlling shareholding interest in the Company (the “**Exclusivity Period**”). The Exclusivity Period may be extended by the Parties pursuant to the terms of the Exclusivity Agreement.

Working Capital Facility

As part of the Proposed Restructuring, the Company proposed to set up, subject to sanction by the High Court, a special purpose vehicle to continue the Company's trading and manufacturing of toys and recreational products businesses (the "**SPV**"). Pursuant to the Exclusivity Agreement and immediately upon the obtaining of the approval of the High Court for the setting up of the SPV, the Investor will provide a sum of HK\$5,000,000 (or such higher sum as the Investor may agree from time to time) as working capital facility (the "**Working Capital Facility**") for the SPV. The funds so provided will form part of the subscription money payable by the Investor (the "**Subscription Proceeds**") for the subscription of ordinary shares of the Company upon completion of the Proposed Restructuring (the "**Completion**"). The Working Capital Facility shall be secured by a debenture with a floating charge over the assets of the SPV to be given by the SPV in favour of the Investor and be repayable by the SPV in the event that Completion fails to take place. The Working Capital Facility will not be directly or indirectly repayable by the Company or the Provisional Liquidators in any circumstances whatsoever.

Earnest Money

Pursuant to the Exclusivity Agreement, the Investor has paid a total sum of HK\$5,000,000 as earnest money (the "**Earnest Money**") to an escrow agent (the "**Escrow Agent**") who shall have custody of the Earnest Money and place the same in an interest-bearing account in its name. If Completion fails to take place, the Provisional Liquidators are entitled to instruct the Escrow Agent to release the Earnest Money for the benefit of the creditors of the Company (the "**Creditors**") or returned to the Investor, as the case may be, pursuant to the terms of the Exclusivity Agreement. The Earnest Money once released to the Provisional Liquidators for the benefit of the Creditors shall not be refundable under any circumstances. The Earnest Money shall form part of the Subscription Proceeds payable by the Investor if Completion takes place.

Fee Contribution

Pursuant to the Exclusivity Agreement, the Investor has paid a total sum of HK\$3,750,000 (the "**Initial Fee Contribution**") to the Provisional Liquidators as an initial fee contribution towards settlement of the fees, charges, costs, expenses and disbursements of the Company and the Provisional Liquidators incurred in connection with the implementation of the Proposed Restructuring and the Resumption Proposal. The Initial Fee Contribution shall form part of the Subscription Proceeds payable by the Investor if Completion takes place.

The Initial Fee Contribution is not refundable except in the event that the Approvals have not been obtained within one calendar month from the date of the Exclusivity Agreement, when the Provisional Liquidators shall refund to the Investor an amount equal to the Initial Fee Contribution less HK\$500,000 to settle the costs, fees and expenses incurred by the Provisional Liquidators to the date of that release, including the costs, fees and expenses incurred in seeking to obtain the Approvals.

TERMINATION

The Exclusivity Agreement shall terminate on the occurrence of the earliest of:

- (a) the Approvals not being obtained within one calendar month from the date of the Exclusivity Agreement;
- (b) the expiry of the Exclusivity Period (as may be extended by the Parties pursuant to the terms of the Exclusivity Agreement); or
- (c) the signing of the Restructuring Agreement.

APPOINTMENT OF FINANCIAL ADVISER

Asian Capital (Corporate Finance) Limited (“**Asian Capital**”) has been appointed by the Provisional Liquidators as the financial adviser to the Company for the restructuring of the Company.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:44 a.m. on 15 October 2008 at the request of the Company and will remain suspended until further notice.

For and on behalf of
Smart Union Group (Holdings) Limited
(Provisional Liquidators Appointed)
John Robert Lees
Mat Ng
Joint and Several Provisional Liquidators
acting as agents for and on behalf of the Company
without personal liability

Hong Kong, 13 May 2009

As at the date of this announcement, the Board comprises of four executive Directors: Mr. Wu Kam Bun, Mr. Lai Chiu Tai, Mr. Ho Wai Wah and Mr. Wong Wai Chuen.