

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

**(1) FURTHER ADJOURNMENT OF
THE WINDING-UP PETITIONS;**

(2) COURT SANCTION;

AND

**(3) DISCLOSEABLE TRANSACTION
IN RELATION TO ACQUISITION OF PRODUCTION LINES**

WINDING-UP PETITIONS AND COURT SANCTION

At the hearing on 31 May 2010, the High Court adjourned the winding-up petitions of the Company and six of its subsidiaries to 14 June 2010.

At the adjourned hearing on 14 June 2010, the High Court further adjourned the winding-up petitions of the Company and six of its subsidiaries to 29 November 2010 at 9:30 a.m. to give the Provisional Liquidators more time for the implementation of the Proposed Restructuring.

At a hearing on 14 June 2010, upon the Provisional Liquidators' application, the High Court ratified the Provisional Liquidators' executions of, among other things, the Acquisition Agreement to facilitate the Proposed Restructuring.

DISCLOSEABLE TRANSACTION

On 8 June 2010, Sino Front, a wholly-owned subsidiary of the Company entered into the Acquisition Agreement with the Vendor regarding the acquisition of the Five Production Lines for the production of toys at a consideration of RMB3,000,000.

The Acquisition constitutes a discloseable transaction for the Company. As certain relevant percentage ratios in respect of the transaction exceed 5% but all the applicable percentage ratios are less than 25%, the Acquisition is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcements of the Company dated 17 and 22 October 2008, 10 February 2009, 9 April 2009, 13 May 2009, 4 June 2009 and 10 December 2009.

WINDING-UP PETITIONS AND COURT SANCTION

At the hearing on 31 May 2010, the High Court adjourned the winding-up petitions of the Company and six of its subsidiaries to 14 June 2010.

At the adjourned hearing on 14 June 2010, the High Court further adjourned the winding-up petitions of the Company and six of its subsidiaries to 29 November 2010 at 9:30 a.m. to give the Provisional Liquidators more time for the implementation of the Proposed Restructuring.

At a hearing on 14 June 2010, upon the Provisional Liquidators' application, the High Court ratified the Provisional Liquidators' executions of, among other things, the Acquisition Agreement to facilitate the Proposed Restructuring.

DISCLOSEABLE TRANSACTION

On 8 June 2010, Sino Front, a wholly-owned subsidiary of the Company entered into the Acquisition Agreement with the Vendor regarding the acquisition of the Five Production Lines for the production of toys.

The Acquisition Agreement

Date : 8 June 2010

Purchaser : Sino Front, a wholly-owned subsidiary of the Company.

Vendor : Lanyu Toy, to the best of the Provisional Liquidators' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules)

Pursuant to the Acquisition Agreement, Sino Front agreed to procure its wholly-owned subsidiary to acquire the Five Production Lines from the Vendor at a consideration of RMB3,000,000. A deposit of RMB1,500,000 in cash was paid by Sino Front upon the signing of the Acquisition Agreement and the balance of RMB1,500,000 will be paid in cash upon Completion.

The Five Production Lines are located in the factory of the Vendor in Dongguan, the PRC with an aggregate annual production capacity of approximately 3 million units of toy products and are equipped with ancillary facilities and machineries including plastic injection moulding machines and assembling lines. On or before Completion, the Vendor shall transfer approximately 100 personnel necessary for the operation of the Five Production Lines to Sino Front and/or its subsidiary which shall enter into employment contracts with each of those personnel directly.

Conditions precedent

The Completion is subject to the following:

- (i) the Company having obtained the approvals in relation to the Acquisition from the relevant governmental authorities in Hong Kong, including but not limited to approvals from court of law or other regulatory bodies; and
- (ii) the Company having complied with all the relevant requirements under the Listing Rules applicable to the Acquisition.

Completion shall take place within 10 business days after the date on which all the conditions precedent have been satisfied. If the conditions precedent cannot be satisfied on or before 30 June 2010 (or such other date agreed by the parties), the Acquisition Agreement shall be terminated and the Vendor shall, within 10 business days upon the receipt of a written notice from Sino Front, return the deposit of RMB1,500,000 paid by Sino Front to the Vendor. As at the date of this announcement, the Company has fulfilled condition precedent (i) above.

Subject to the terms set out in the Acquisition Agreement, the Vendor also agreed to grant Sino Front a right of first refusal to acquire all or any part of the remaining toy production facilities (in addition to the Five Production Lines) owned by the Vendor, including, but not limited to, all machineries, factories and production technologies. A separate acquisition agreement shall be entered by Sino Front and/or its subsidiary and the Vendor if acquisition of any of the remaining toy production facilities from the Vendor materialised.

Information of the Group and reason for the Acquisition

The Company is incorporated in the Cayman Islands. It is an investment holding company and the principal activities of its subsidiaries are manufacturing and trading of toys and recreational products on an OEM basis.

Sino Front was set up by the Company as a wholly-owned subsidiary in June 2009 to continue the Group's trading and manufacturing of toys business after the major assets and production facilities of certain subsidiaries of the Company had been subject to freezing orders obtained by certain creditors in the PRC since October 2008.

Following the seizure of the Group's factories by local authorities in the PRC, the Group lost its own manufacturing facilities. It was, therefore, necessary that the Group restructures its operations, initially by recommencing its toy trading business through Sino Front. The Group has resurrected its toy trading business since June 2009, and has gradually expanded its customer base whilst subcontracted its manufacturing operations to OEM manufacturers in the PRC. With secured orders and to diversify Sino Front's reliance on its outsourced sub-contractors, the Company has decided to resume the Group's toy manufacturing by acquiring the Five Production Lines from the Vendor.

The Consideration was determined on an arms length basis between the Vendor and Sino Front with reference to the estimated cost required to set up similar production facilities of comparable scale and production capacity in the PRC. The Provisional Liquidators consider that the Acquisition has been made on normal commercial terms and is fair and reasonable, and the revival of the Group's toy manufacturing business through the acquisition of the Five Production Lines facilitating the resumption of manufacturing and is conducive to supporting a cohesive and sustaining resumption proposal to be submitted to the Stock Exchange in due course. The Acquisition therefore is in the interest of the Company, its creditors and the Shareholders as a whole.

Information on the Vendor

The Vendor is a PRC OEM manufacturer of toys which owns a factory with twenty (20) production lines in Dongguan, the PRC. To the best of the Provisional Liquidators' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Listing Rules implication

The Acquisition constitutes a discloseable transaction for the Company. As certain relevant percentage ratios in respect of the transaction exceed 5% but all the applicable percentage ratios are less than 25%, the Acquisition is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

SUSPENSION OF TRADING

Trading in the Shares 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.

DEFINITIONS

In this announcement, the following terms have their meanings set out below:—

“Acquisition”	acquisition of the Five Production Lines by Sino Front from the Vendor pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 8 June 2010 entered into between Sino Front and the Vendor which sets out the terms and conditions in relation to the Acquisition
“business day”	any day except Saturdays and Sundays on which banks in Hong Kong are open for business
“Company”	Smart Union Group (Holdings) Limited (Provisional Liquidators Appointed), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Consideration”	RMB3,000,000 being the consideration for the Acquisition
“Five Production Lines”	the five production lines and the ancillary facilities owned by the Vendor being acquired and the subject of the Acquisition
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lanyu Toy” or “Vendor”	藍宇玩具有限公司, a PRC OEM manufacturer of toys which owns a factory with twenty (20) production lines in Dongguan, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“OEM”	original equipment manufacturing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Proposed Restructuring”	the restructuring proposal in connection with the restructuring of the Company
“Provisional Liquidators”	Mr. John Robert Lees and Mr. Mat Ng, the joint and several provisional liquidators of the Company, both of John Lees & Associates Limited, acting without personal liability
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sino Front”	Sino Front Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	Per cent.

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, 22 June 2010

As at the date of this announcement, the board of directors of the Company comprises of three executive directors: Mr. Wu Kam Bun, Mr. Ho Wai Wah and Mr. Wong Wai Chuen.