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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2009

The board of directors (the "Board") of Smart Union Group (Holdings) Limited (Provisional Liquidators Appointed) (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2009 together with comparative figures for the corresponding period in 2008. The results are stated as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June 2009

	Notes	Six months ended 30th June 2009 HK$'000 (Unaudited)	Six months ended 30th June 2008 HK$'000 (Unaudited)
Sales	4	**9,240**	386,809
Cost of sales	6	**(8,694)**	(525,936)
Gross profit		**546**	(139,127)
Other income and other gains/(losses), net	7	**400**	2,863
Administrative expenses	6	**(8,411)**	(55,551)
Selling expense	6	**(409)**	–
Operating loss		**(7,874)**	(191,815)
Finance costs	8	**(5,046)**	(8,694)
Share of loss of associate		**–**	(479)
Loss before tax		**(12,920)**	(200,988)
Income tax credit	9	**–**	427
Loss for the period		**(12,920)**	(200,561)
Attributable to:			
Equity holders of the Company		**(12,920)**	(200,133)
Minority interest		**–**	(428)
		(12,920)	(200,561)
Loss per share for loss attributable to the equity holders of the Company during the period (HK$ per share)			
– basic *(HK$)*	11	**0.02**	0.44
– diluted *(HK$)*	11	**0.02**	0.44
Dividend	10	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th June 2009

	Six months ended 30th June 2009 *HK$'000* **(Unaudited)**	Six months ended 30th June 2008 *HK$'000* (Unaudited)
Loss for the period	**(12,920)**	(200,561)
Other comprehensive income:		
Currency transaction differences	**–**	65
Revaluation of available-for-sale financial assets	**–**	(166)
	–	(101)
Total comprehensive income for the period	**(12,920)**	(200,662)
Attributable to:		
Equity holders of the Company	**(12,920)**	(200,234)
Minority interest	**–**	(428)
	(12,920)	(200,662)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2009

	Notes	30th June 2009 HK$'000 (Unaudited)	31st December 2008 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**40**	158
Land use rights		**–**	–
Intangible assets		**–**	–
Investments in unconsolidated subsidiaries		**–**	–
Investment in a former subsidiary		**–**	–
Investment in an associated company		**–**	–
Available-for-sale financial assets		**–**	–
Prepayments, deposits and other receivables		**–**	–
Deferred income tax assets		**–**	–
		40	158
Current assets			
Inventories		**–**	–
Trade receivables	*12*	**8,842**	3,786
Amount due from unconsolidated subsidiaries		**–**	–
Amount due from a former subsidiary		**–**	–
Prepayments, deposits and other receivables		**936**	976
Derivative financial instruments		**–**	–
Convertible bonds		**–**	–
Current income tax recoverable		**706**	706
Pledged bank deposits		**–**	–
Bank balances and cash		**11,706**	5,124
		22,190	10,592
Total assets		**22,230**	10,750
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**55,259**	55,259
Share premium		**368,381**	368,381
Other reserves		**39,303**	30,553
Accumulated losses		**(782,707)**	(769,787)
		(319,764)	(315,594)
Minority interest		**–**	–
Total equity		**(319,764)**	(315,594)

	Notes	30th June 2009 HK$'000 (Unaudited)	31st December 2008 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**–**	–
Provision for long service payment		**–**	–
		–	–
Current liabilities			
Trade payables	*13*	**10,299**	5,487
Other payables and accruals		**181,380**	170,176
Amounts due to unconsolidated subsidiaries		**112,362**	112,362
Borrowings		**37,937**	38,303
Derivative financial instruments		**–**	–
Deferred tax liabilities		**16**	16
		341,994	326,344
Total liabilities		**341,994**	326,344
Total equity and liabilities		**22,230**	10,750
Net current liabilities		**(319,804)**	(315,752)
Total assets less current liabilities		**(319,764)**	(315,594)

Notes:

1. GENERAL INFORMATION

Smart Union Group (Holdings) Limited (Provisional Liquidators Appointed) was incorporated in the Cayman Islands on 8th March 2006 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29th September 2006. The shares of the Company have been suspended for trading on the Stock Exchange since 15th October 2008. On 1st December 2008, the Stock Exchange informed the Company that in view of the prolonged suspension of trading in the shares of the Company, the delisting procedures pursuant to Practice Note 17 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") have been applied to the Company and the first stage of delisting procedures commenced on 15th October 2008.

The Group was principally engaged in manufacturing and trading of recreational and educational toys and equipment. The operations of the Group have substantially ceased after the major assets and production facilities of certain subsidiaries have been subject to freezing orders obtained by certain creditors in the People's Republic of China (the "PRC") since October 2008, except that Dream Link Limited, a subsidiary, continued its trading business until 28th February 2009. The Group has reactivated its trading of toys business through Sino Front Limited, a newly incorporated wholly owned subsidiary of the Company, since June 2009.

The directors of the Company (the "Directors") regard Smart Place Investments Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Company.

The condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Directors on 22nd October 2009.

2. WINDING-UP PETITIONS, APPOINTMENT OF PROVISIONAL LIQUIDATORS AND GROUP RESTRUCTURING

In October 2008, the Group found difficulties in meeting its short-term debts. The Directors resolved to apply for winding-up petitions for the Company and certain of its subsidiaries and apply to the High Court of Hong Kong Special Administrative Region (the "High Court") for the appointment of provisional liquidators in order to protect the assets of the Group and to safeguard the interests of both the creditors and the shareholders.

As a result of the applications, Messrs. John Robert Lees and Mat Ng have been appointed as the joint and several provisional liquidators of the Company (the "Provisional Liquidators") and certain of its subsidiaries by the orders of the High Court dated 16th October 2008 and 17th October 2008 (the "Court Orders").

Pursuant to the Court Orders, the Provisional Liquidators may, among other things, exercise the powers to take into their custody and protect the assets of the Company and its subsidiaries and carry on and stabilise the operations of the Group, including facilitating a restructuring of the Company.

Pursuant to the orders of High Court dated 5th January 2009, the hearings of the winding-up petitions against the Company and the relevant subsidiaries were adjourned to 6th April 2009. The High Court then further adjourned the hearings of the winding-up petitions to 1st June 2009 pursuant to the hearings on 6th April 2009. At the hearings on 1st June 2009, the High Court further adjourned the hearings of the winding-up petitions of the Company and the relevant subsidiaries to 30th November 2009 to allow time for the implementation of the proposed restructuring of the Group.

On 12th May 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into among the Company, Gold Bless International Invest Limited (the "Investor"), Mr. Yang Wang Jian, Mr. Ting Wai-Min, and the Provisional Liquidators to grant the Investor a six-month exclusivity period to prepare a resumption proposal and to negotiate in good faith and enter into a legally binding agreement for the implementation of restructuring proposal in connection with the restructuring of the Company (the "Proposed Restructuring"). On 1st September 2009, the Company submitted a resumption proposal to the Stock Exchange which embraces the Proposed Restructuring and contemplates, among other things, the followings:

(a) a restructuring of the share capital of the Company (the "Capital Restructuring") that involves, inter alia, reduction of the nominal value of the existing shares of the Company from HK$0.10 to HK$0.01 (the "Capital Reduction"), cancellation of existing un-issued share capital of the Company after the Capital Reduction, and increase in the authorised share capital of the Company;

(b) proposed subscription of new ordinary shares of the Company (the "Subscription Shares") with a par value of HK$0.01 each ("New Shares") to be issued by the Company following the Capital Restructuring by the Investor for a sum of HK$170 million; and

(c) all the creditors of the Company (the "Creditors") will be compromised and discharged by the arrangements contemplated under the scheme of arrangement to be made between the Company and its creditors pursuant to section 166 of the Hong Kong Companies Ordinance for a cash payment of up to HK$50 million, together with New Shares for the Creditors (the "Creditors Shares") representing approximately 5% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Creditors Shares to be issued and allotted as fully paid to the Creditors.

The Directors have prepared the condensed consolidated interim financial information on the assumption that the restructuring of the Company will be implemented in accordance with its terms and the Group will be able to improve its financial position and business upon completion of the Proposed Restructuring. As at the date of approval of the condensed consolidated interim financial information, the Directors are not aware of any circumstances or reasons that would likely affect the implementation of the Proposed Restructuring. In light of the foregoing, the Directors considered that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis. The condensed consolidated interim financial information do not incorporate any adjustments for possible failure of the Proposed Restructuring and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in the condensed consolidated interim financial information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The condensed consolidated interim financial information of the Company has been prepared in accordance with HKAS 34 "Interim Financial Reporting" except for the non-consolidation of certain subsidiaries of the Group as explained in Note 3.2 and the non-consolidation of the results of a former subsidiary, and an associated company, which has not been properly equity accounted for. The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31st December 2008.

The Group sustained a loss attributable to equity holders of the Company of approximately HK$12,920,000 for the six months ended 30th June 2009. As at 30th June 2009, the Group had net current liabilities of approximately HK$319,804,000 and net liabilities of approximately HK$319,764,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and the condensed consolidated interim financial information has been prepared on a going concern basis, the reason of which are disclosed in Note 2 above.

3.2 Subsidiaries not consolidated

The condensed consolidated interim financial information has been prepared based on the books and records maintained by the Company and its subsidiaries. However, due to the major assets and production facilities of a subsidiary of the Company, Smart Union Industrial Limited (Provisional Liquidators Appointed) ("SU Industrial"), have been subject to freezing orders obtained by its creditors in the PRC since October 2008, the Directors have not been able to gain access to certain books and records of this subsidiary or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions since October 2008. As such, the results, assets and liabilities of SU Industrial and its subsidiary, Perfect Design and Product Development Limited, have not been included into the condensed consolidated interim financial information of the Group for the six months ended 30th June 2009.

Similar to SU Industrial, the major assets and production facilities of Smart Union (Qingyuan) Industrial Limited ("SU Qingyuan"), another subsidiary of the Group, have been subject to freezing orders issued since 14th October 2008. The local authorities have also taken over the control of SU Qingyuan itself. The Directors consider that, due to the loss of control in SU Qingyuan, it should no longer be regarded as a subsidiary of the Group and be deconsolidated from the condensed consolidated interim financial information since 14th October 2008.

Due to the significance of the operations of SU Industrial and SU Qingyuan, any changes to the status or possible outcome of the freezing orders against SU Industrial and SU Qingyuan may have a significant consequential effect on the net liabilities and the results of the Group for the six months ended 30th June 2009.

In the opinion of the Directors, the condensed consolidated interim financial information as at and for the six months ended 30th June 2009 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid freezing orders against SU Industrial and SU Qingyuan. However, the non-consolidation of SU Industrial and Perfect Design and Product Development Limited, and the non-consolidation of the results of SU Qingyuan from the beginning of the year 2008 till the date of the deemed disposal of SU Qingyuan on 14th October 2008, are not in compliance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements".

3.3 Accounting policies

The accounting policies and method of computation used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the period ended 31st December 2008, except as mentioned below.

(a) *Effect of adopting new standards and amendments to standards*

The following new standards and amendments to standards are mandatory for the financial year beginning 1st January 2009.

- HKAS 1 (Revised) "Presentation of Financial Statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

- HKFRS 8 "Operating Segments". HKFRS 8 replaces HKAS 14 "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company is under provisional liquidation and the Provisional Liquidators are empowered by the Court Order to control the assets and activities of the Company.

- Amendment to HKFRS 7 "Financial instruments: disclosures". The amendments increase the disclosure about liquidity risk. The amendments introduce a three-level hierarchy for fair value measurement disclosures about financial instruments and require some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. They also require a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31st December 2009.

The following amendments to standards and interpretations are mandatory for financial year beginning 1st January 2009:

HKFRSs (Amendment)	Improvements to HKFRS 2008[#]
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instrument and Obligation Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

[#] Effective for the Group for annual period beginning 1st January 2009 except the amendment to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" which is effective for annual periods beginning 1st January 2010.

The adoption of these amendments and interpretations to standards did not result in a significant impact on the result and financial position of the Group.

(b) Amendments to standards and interpretations that have been issued but are not effective

The following amendments to standards and interpretations have been issued but are not effective and have not been early adopted.

HKFRSs (Amendment)	Improvements to HKFRS 2009[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[2]

[1] Effective for the Group for annual period beginning 1st January 2010
[2] Effective for transfer of assets received on or after 1st July 2009

The effect that the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) and HK(IFRIC)-Int 17 will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1st January 2010. The Directors anticipate that the adoption of other amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

4. TURNOVER

	Six months ended 30th June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods	**9,240**	386,809

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The Group was principally engaged in trading of recreational and educational toys during the period ended 30th June 2009. Accordingly, the Group has determined that the trading of recreational and educational toys is the only reportable segment of the Group.

During the period ended 30th June 2009, the Group's revenues from external customers amounted to approximately HK$9,240,000 of which HK$8,628,000 are generated from Hong Kong and HK$612,000 are generated from other countries. For the period ended 30th June 2008, the Group's revenues from external customers of HK$284,825,000 were generated from America, HK$49,103,000 were generated from Europe and HK$52,881,000 were generated from other countries.

All of the Group's assets are located or utlised in Hong Kong as at 30th June 2009 and 31st December 2008. The Group's capital expenditure of approximately HK$14,000 are utilised in Hong Kong.

During the period ended 30th June 2009, the Group's external revenue amounting to approximately HK$8,628,000 is generated from one major customer which account for 10% or more of the Group's external revenue.

6. OPERATING LOSS

Operating loss is stated after charging the following during the period:

	Six months ended 30th June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventory	**8,450**	394,498
Depreciation of property, plant and equipment	**50**	4,955
Amortisation of land use rights	**–**	33
Amortisation of intangible assets	**244**	365
Write-off of obsolete inventories	**322**	45,381
Write-off of damaged inventories on flood	**–**	67,512

7. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Six months ended 30th June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other gains/(losses):		
– Realised gain on derivative financial instruments	**–**	(2,501)
– Unrealised losses on derivative financial instruments	**–**	(58)
	–	(2,559)
Other income:		
– Sales of scrap materials	**–**	1,532
– Interest income on bank deposits	**2**	61
– Fair value gain on convertible bonds	**–**	3,706
– Other handling income	**–**	123
– Others	**398**	–
	400	5,422
	400	2,863

8. FINANCE COSTS

	Six months ended 30th June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense:		
– Bank borrowings and overdrafts	**24**	7,024
– Factoring facilities	**–**	1,620
– Finance lease liabilities	**–**	50
– Provision for financial guarantees to an unconsolidated subsidiary	**5,022**	–
	5,046	8,694

9. INCOME TAX CREDIT

	Six months ended 30th June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current taxation		
– Hong Kong profits tax	**–**	–
– PRC enterprise income tax	**–**	–
– Over-provision in prior years	**–**	427
	–	427

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2009 (2008: Nil).

11. LOSSES PER SHARE

Basic

The calculation of basic losses per share is based on the consolidated loss attributable to equity holders of the Company of approximately HK$12,920,000 (30th June 2008: loss of HK$200,133,000) and on the weighted average number of 552,586,000 (30th June 2008: 452,053,000) ordinary shares in issue during the period.

	Six months ended 30th June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company *(HK$'000)*	**12,920**	200,133
Weighted average number of ordinary shares in issue *(thousands)*	**552,586**	452,053
Basic loss per share *(HK$)* per share	**0.02**	0.44

Diluted

Diluted losses per share for the six months ended 30th June 2009 and 2008 equal to the basic losses per share as the potential ordinary shares outstanding during the period have an anti-dilutive effect for the period.

12. TRADE RECEIVABLES

	30th June	31st December
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**10,774**	5,619
Less: provision for impairment of receivables	**(1,932)**	(1,833)
Trade receivables – net	**8,842**	3,786

The Group's trade receivables from its customers are generally with credit periods of less than 75 days. The sales to large or long-established customers with good repayment history comprise a significant proportion of the Group's sales. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values. The ageing analysis of trade receivables as at 30th June 2009 and 31st December 2008 were as follows:

	30th June 2009 *HK$'000* **(Unaudited)**	31st December 2008 *HK$'000* (Audited)
0 – 30 days	**8,633**	481
31 – 60 days	**4**	1,439
61 – 90 days	**631**	3,067
91 days – 1 year	**1,279**	359
Over 1 year	**227**	273
	10,774	5,619

13. TRADE PAYABLES

The ageing analysis of trade payables as at 30th June 2009 and 31st December 2008 are as follows:

	30th June 2009 *HK$'000* **(Unaudited)**	31st December 2008 *HK$'000* (Audited)
0 – 30 days	**8,510**	4,430
31 – 60 days	**324**	541
61 – 90 days	**543**	324
91 days – 1 year	**816**	141
1 – 2 years	**73**	26
Over 2 years	**33**	25
	10,299	5,487

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30th June 2009, the Group's turnover was approximately HK$9 million (2008: HK$387 million), representing a decrease of approximately 97.6% from the corresponding period in last financial year. As the Directors and the Provisional Liquidators have not been able to gain access to certain books and records of SU Industrial, the financial statements of SU Industrial and its wholly owned subsidiary, Perfect Design and Product Development Limited, have not been included in the condensed consolidated financial information of the Group.

The consolidated loss attributable to shareholders of the Company amounted to approximately HK$13 million (2008: loss of HK$200 million) for the 6 months ended 30th June 2009.

Liquidity, financial resources and funding

Bank balances and cash as at 30th June 2009 was approximately HK$12 million (31st December 2008: HK$5 million). As at 30th June 2009, the total amount of banking facilities outstanding was approximately HK$161 million (31st December 2008: HK$156 million), which are currently in default and the Group is currently undergoing restructuring.

Assets and liabilities

As at 30th June 2009, the Group had total assets of approximately HK$22 million (31st December 2008: HK$11 million), total liabilities of approximately HK$342 million (31st December 2008: HK$326 million). The net liabilities of the Group as at 30th June 2009 were HK$320 million (31st December 2008: HK$316 million).

Foreign exchange exposure

The Group is exposed to foreign exchange risk, most of the Group's assets and liabilities, revenue and expenditure are denominated in RMB, USD and HKD.

Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2009 (2008: Nil).

BUSINESS REVIEW

The operation of the Group have substantially ceased after the major assets and production facilities of certain subsidiaries have been subject to freezing orders obtained by certain creditors in the PRC since October 2008 except that Dream Link Limited, a subsidiary, continued its trading business until February 2009.

Asian Capital (Corporate Finance) Limited has been appointed as the financial adviser to the Company with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

The Provisional Liquidators have secured an investor and are now implementing restructuring plans for the Company to revitalise the Company.

On 12th May 2009, the Exclusivity Agreement was entered into amongst the Investor, Mr. Yang Wang Jian, Mr. Ting Wai-min, the Company and the Provisional Liquidators to grant the Investor exclusivity to (i) prepare a resumption proposal, and (ii) negotiate in good faith and enter into a legally binding agreement for the implementation of the restructuring proposal in connection with the Proposed Restructuring.

As part of the Proposed Restructuring, Sino Front Limited ("Sino Front") was set up by the Company as a wholly-owned subsidiary in June 2009 to continue the Group's trading, and possibly, manufacturing of toys business.

Sino Front has signed a master purchase agreement with a buyer in Hong Kong pursuant to which certain minimum annual orders is guaranteed for a term of one year. As the Group's manufacturing facilities are still under the custody of the PRC local authorities, Sino Front has subcontracted the manufacturing through a processing agreement with an OEM factory in the PRC. Accordingly manufacturing capabilities for annual orders of the Group for a certain minimum amount are also secured. The Group will continue to explore and develop alliances with both manufacturers and customers in the next two years with an aim to establishing a comprehensive production chain in line with its business development strategies.

Pursuant to the Exclusivity Agreement, the Investor has provided a loan of HK$5,000,000 to Sino Front, which is secured by a debenture, to enable it to meet its working capital needs. The Company has since resumed its trading of toy business through Sino Front.

On 1st September 2009, the Company submitted a resumption proposal to the Stock Exchange which embraces the Proposed Restructuring.

The Directors unanimously support the Proposed Restructuring.

PROSPECTS

It is anticipated that the financial position of the Group will be substantially improved upon completion of the Proposed Restructuring.

It is the Investor's intention to continue the Group's trading and, possibly, manufacturing of toys business through Sino Front, a wholly owned subsidiary of the Company and which is currently the only operating subsidiary of the Company.

With the strong support provided by the Investor to the Group in terms of both business and financial aspects, the Group will be able to sustain its toy business.

Subject to, among other things, the approvals of the shareholders of the Company and the Listing Division of the Stock Exchange upon the completion of the Proposed Restructuring, the Company's shares will resume trading on the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

To the best knowledge of the Board, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2009.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30th June 2009 have neither been reviewed by external auditors nor reviewed by an audit committee as no sufficient number of non-executive Directors have been appointed to constitute an audit committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Provisional Liquidators were appointed on 16th October 2008 pursuant to an order of the High Court, the Directors and the Provisional Liquidators consider that compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules is no longer practicable.

GENERAL INFORMATION

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

By order of the Board
Smart Union Group (Holdings) Limited
(Provisional Liquidators Appointed)
Wu Kam Bun
Executive Director

Hong Kong, 23rd October 2009