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 2011

The board of directors (the "Board") and the joint and several provisional liquidators (the "Provisional Liquidators") 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 2011 together with comparative figures for the corresponding period in 2010. The results are stated as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June 2011

	Notes	**Six months ended 30th June 2011 *HK$'000* (Unaudited)**	Six months ended 30th June 2010 *HK$'000* (Unaudited)
Sales	*4*	**285,694**	93,559
Cost of sales		**(251,561)**	(88,847)
Gross profit		**34,133**	4,712
Other income	*7*	**2,976**	2,315
Administrative expenses		**(10,310)**	(4,578)
Selling expenses		**(203)**	(83)
Reversal for legal claims		**–**	5,368
Operating profit	*6*	**26,596**	7,734
Finance costs	*8*	**(10,975)**	(11,399)
Profit/(loss) before tax		**15,621**	(3,665)
Income tax expense	*9*	**(6,900)**	(485)
Profit/(loss) for the period		**8,721**	(4,150)
Attributable to:			
Equity holders of the Company		**8,721**	(4,150)
Non-controlling interest		**–**	–
		8,721	(4,150)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period (HK$ per share)			
basic and diluted (HK$)	*11*	**0.02**	(0.01)
Dividend	*10*	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2011

	Six months ended 30th June 2011 *HK$'000* **(Unaudited)**	Six months ended 30th June 2010 *HK$'000* (Unaudited)
Profit/(loss) for the period	**8,721**	(4,150)
Other comprehensive income:	**–**	–
Total comprehensive income for the period	**8,721**	(4,150)
Total comprehensive income attributable to:		
Equity holders of the Company	**8,721**	(4,150)
Non-controlling interest	**–**	–
	8,721	(4,150)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30th June 2011

	Notes	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,861**	3,165
Intangible assets		**–**	–
Investments in unconsolidated subsidiaries		**–**	–
Investment in a former subsidiary		**–**	–
Investment in an associated company		**–**	–
		2,861	3,165
Current assets			
Inventories		**–**	2,675
Trade receivables	*12*	**294,964**	221,945
Amount due from unconsolidated subsidiaries		**–**	–
Amount due from a former subsidiary		**–**	–
Prepayments, deposits and other receivables		**7,741**	5,327
Convertible bonds		**–**	–
Tax recoverable		**127**	127
Cash and cash equivalents		**19,609**	16,562
		322,441	246,636
Total assets		**325,302**	249,801

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30th June 2011

	Notes	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (Audited)
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		**30,474**	30,474
Accumulated losses		**(756,419)**	(765,140)
		(302,305)	(311,026)
Non-controlling interest		**–**	–
Total equity		**(302,305)**	(311,026)
LIABILITIES			
Non-current liabilities			
Borrowings		**–**	–
Deferred tax liabilities		**16**	16
		16	16
Current liabilities			
Trade payables	*13*	**179,844**	120,782
Other payables and accruals	*13*	**229,576**	228,758
Amounts due to unconsolidated subsidiaries		**112,362**	112,362
Borrowings		**92,936**	92,936
Tax payable		**12,873**	5,973
		627,591	560,811
Total liabilities		**627,607**	560,827
Total equity and liabilities		**325,302**	249,801
Net current liabilities		**(305,150)**	(314,175)
Total assets less current liabilities		**(302,289)**	(311,010)

Notes:

1. GENERAL INFORMATION

The Company 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") in 2006. The shares of the Company have been suspended for trading on the Stock Exchange since 15th October 2008. On 3rd May 2010, the Stock Exchange informed the Company that it has decided to place the Company in the second stage of delisting procedures with effect from 3rd May 2010 pursuant to Practice Note 17 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

The Group was principally engaged in manufacturing and trading of recreational and educational toys and equipment. The then operations of the Group have substantially ceased after the major assets and production facilities of certain subsidiaries were 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 (In Liquidation) ("Dream Link"), a subsidiary, continued its trading business until 28th February 2009. The Group has reactivated its trading of toys business through Sino Front Limited ("Sino Front"), a wholly-owned subsidiary of the Company, and its subsidiaries.

The condensed consolidated interim financial information is presented in units of thousands of Hong Kong dollars (HK$) unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Provisional Liquidators and the Board on 16th August 2011.

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 to the High Court of Hong Kong Special Administrative Region (the "High Court") for (i) winding-up petitions for the Company and certain of its subsidiaries and (ii) the appointment of provisional liquidators in order to protect the assets of the Group and to safeguard the interests of the creditors.

As a result of the applications, Messrs. John Robert Lees and Mat Ng were appointed as the Provisional Liquidators and the joint and several provisional liquidators of six 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.

On 12th 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 an exclusivity period 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 restructuring of the Company (the "Proposed Restructuring").

As part of the Proposed Restructuring, 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.

On 3rd May 2010, the Stock Exchange informed the Company that the Resumption Proposal as defined hereafter did not satisfactorily demonstrate sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange decided to place the Company in the second stage of delisting procedures with effect from 3rd May 2010. The Company was required to submit a viable resumption proposal before 2nd November 2010, the expiry of the six-month period from the date the Company was placed in the second stage of delisting procedures. At the end of the period, the Stock Exchange was to determine whether it was appropriate to proceed to place the Company in the third stage of delisting procedures after considering any proposal made by the Company.

On 27th May 2010, the Investor, Mr. Yang, Mr. Ting, the Company and the Provisional Liquidators entered into a supplemental agreement to extend the exclusivity period under the Exclusivity Agreement dated 12th May 2009 to 31st December 2010. On the same day, the Investor and Sino Front entered into a supplemental working capital facility agreement (the "Supplemental Working Capital Facility Agreement"), pursuant to which the Investor agreed to increase the working capital facility from HK$5,000,000 to HK$55,000,000 on the terms and subject to the conditions as set out in the working capital facility agreement dated 17th June 2009 entered into by the Investor and Sino Front as supplemented by the Supplemental Working Capital Facility Agreement. The Group will use the working capital facility to meet the costs required for business expansion and reactivation of its toys manufacturing business as part of the Resumption Proposal.

On 31st May 2011, the Investor, Mr. Yang, Mr. Ting, the Company and the Provisional Liquidators entered into a supplemental agreement pursuant to which all parties agreed to extend the long stop date to 30th November 2011.

On 16th June 2011, the Investor and Sino Front entered into the second supplemental working capital facility agreement, pursuant to which the Investor agreed to extend the maturity date of the working capital facility from 16th June 2011 to 30th November 2011.

On 10th June 2011, the Stock Exchange informed the Company that resumption of trading in the shares of the Company will be allowed if the Company fulfils certain conditions by 30th November 2011, including (1) completion of the transactions under the Resumption Proposal; (2) inclusion in the circular to shareholders of a profit forecast for the year ending 31st December 2011 together with reports from the auditors and the financial adviser, a statement from directors of the Company (the "Directors") confirming working capital sufficiency for 12 months after resumption and a comfort letter from the auditors/financial adviser on the Directors' statement and a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from the auditors under Rule 4.29 of the Listing Rules; (3) provision of a full scope internal control review report confirming an adequate and effective internal control system; and (4) dismissal of the winding-up petition and discharge of the Provisional Liquidators.

On 20th June 2011 and 20th July 2011, the Company, the Provisional Liquidators, the Investor, Mr. Yang and Mr. Ting entered into the second supplemental restructuring agreement and a side letter respectively, pursuant to which the parties agreed to, inter alia, (1) revise the structure of the capital restructuring; (2) adjust the number of creditors shares; (3) adjust the terms of the subscription; (4) replace the proposed open offer with the placing of convertible bonds; and (5) include the placing of the placing shares as part of the Proposed Restructuring.

On 6th July 2010, Sino Front completed an acquisition of five production lines ("Five Production Lines") at a consideration of RMB3,000,000 (approximately HK$3,450,000). The Five Production Lines are located in Dongguan, the PRC and are equipped with ancillary facilities and machineries including plastic injection moulding machineries and assembly lines.

On 1st August 2011, Sino Front completed another acquisition, of which, the Group acquired the entire equity interest of Dongguan Jinxu Toy Limited (東莞市金翊玩具有限公司) ("Jinxu"), a PRC OEM toy manufacturer and operates a factory with 3 production lines in Dongguan, the PRC.

The hearings of the winding up petitions against the Company and the relevant subsidiaries, after several adjournments to allow time for the implementation of the Proposed Restructuring of the Group, are scheduled on 14th November 2011.

The Directors and the Provisional Liquidators 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 and the Provisional Liquidators 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 and the Provisional Liquidators 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 these 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 is 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 Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

As at 30th June 2011, the Group had net current liabilities of approximately HK$305,150,000 and net liabilities of approximately HK$302,305,000. 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. The condensed consolidated interim financial information has been prepared on a going concern basis, the reasons of which are discussed 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"), having 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 2008. As such, the results, assets and liabilities of SU Industrial and its subsidiary, Perfect Design and Product Development Limited ("Perfect Design"), have not been included into the condensed consolidated interim financial information of the Group for the six months ended 30th June 2011. The resulting de-consolidation loss, which is determined based on the net asset value of these subsidiaries as at 1st January 2008, and the impairment loss of the investment in SU Industrial of approximately HK$63,393,000 and HK$3,600,000 respectively have been recognised in the consolidated income statement during the year ended 31st December 2008. Moreover, as at 30th June 2011 and 31st December 2010, the total amounts due from SU Industrial and its subsidiary to the Group and the Company of approximately HK$231,939,000 and HK$188,373,000 respectively are considered to be impaired and, accordingly, full impairment losses have been recognised in the condensed consolidated financial information. In addition, there was a total amount due to SU Industrial and Perfect Design of approximately HK$112,362,000 as at 30th June 2011 and 31st December 2010.

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 lack of complete books and records of SU Qingyuan, it was deemed disposed of and deconsolidated from the consolidated financial statements of the Group only based on its net asset value as at 31st December 2007, resulting in a gain of HK$506,000 which was included in the consolidated income statement for the year ended 31st December 2008. Moreover, as at 30th June 2010, the investment in SU Qingyuan and the amount due from SU Qingyuan of approximately HK$30,000,000 and HK$43,307,000 respectively are considered not recoverable and, accordingly, full impairment losses have been recognised in the consolidated financial statements for the year ended 31st December 2008.

In 2010, the assets of SU Qingyuan were disposed of through auction by PRC authorities at approximately HK$35,075,000 for the settlement of its liabilities and an excess amounting to approximately HK$11,066,000 was refunded to SU Qingyuan. Certain books and records of SU Qingyuan were also returned to the Provisional Liquidators thereafter. The Directors consider that the control of SU Qingyuan has not been resumed and should remain deconsolidated from the consolidated financial statements as it is uncertain whether complete set of books and records has been returned.

Moreover, as at 30th June 2011, the investment in SU Qingyuan and the amount due from SU Qingyuan of approximately HK$30,000,000 (31st December 2010: HK$30,000,000) and HK$32,241,000 (31st December 2010: HK$32,241,000) respectively are considered not recoverable and, accordingly, full impairment losses have been recognised in the consolidated financial statements.

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 2011.

In the opinion of the Directors, the condensed consolidated interim financial information as at and for the six months ended 30th June 2011 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 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 2010, except as mentioned below.

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

The following amendments to standards and interpretations are mandatory for financial year beginning 1st January 2011:

HKFRS 1 (Amendment)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC)-lnt 14 (Amendments)	Amendments to HK(IFRIC)-lnt 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-lnt 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of these new and revised HKFRSs has had no material effect on the condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in these financial statements.

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

In the condensed consolidated interim financial information, the Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 12 (Amendments)	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Directors and the Provisional Liquidators 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	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods	**285,694**	93,559

5. SEGMENT INFORMATION

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

The Group is principally engaged in the trading and manufacturing of toys and subject to similar business risk.

The Group primarily operates in Hong Kong and the PRC.

The Group's sales are delivered to customers located in the following region:

	Six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong	**285,694**	93,559

Sales are allocated based on the places/countries in which goods are delivered.

The Group's total assets are located in the following regions:

	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (Audited)
Hong Kong	**310,962**	234,919
The PRC	**14,340**	14,882
	325,302	249,801

Total assets are allocated based on where the assets are located.

The Group's capital expenditures are located in the following regions:

	Six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong	**11**	5
The PRC	**2,850**	–
	2,861	5

Capital expenditures are allocated based on where the assets are located.

6. OPERATING PROFIT

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

	Six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**304**	–

7. OTHER INCOME

	Six months ended 30th June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income:		
– Non-refundable income	**2,902**	2,315
– Sundry income	**74**	–
	2,976	2,315

8. FINANCE COSTS

	Six months ended 30th June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Interest expense:		
– Other borrowings	**2,098**	1,165
– Provision for financial guarantees to an unconsolidated subsidiary	**8,877**	10,234
	10,975	11,399

9. INCOME TAX EXPENSE

	Six months ended 30th June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Current taxation:		
– Hong Kong profits tax	**6,900**	485

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2011 (2010: Nil).

11. EARNINGS/(LOSS) PER SHARE

Basic

The calculation of basic earnings/(losses) per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$8,721,000 (30th June 2010: loss of HK$4,150,000) and on the weighted average number of 552,586,000 (30th June 2010: 552,586,000) ordinary shares in issue during the period.

	Six months ended 30th June 2011 (Unaudited)	2010 (Unaudited)
Porfit/(loss) attributable to equity holders of the Company (HK$'000)	**8,721**	(4,150)
Weighted average number of ordinary shares in issue (thousands)	**552,586**	552,586
Basic profit/(loss) per share (HK$)	**0.02**	(0.01)

There is no dilutive effect on the earnings/(loss) per share.

12. TRADE RECEIVABLES

	30th June 2011	31st December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**294,964**	221,945
Less: provision for impairment of receivables	**–**	–
Trade receivables – net	**294,964**	221,945

The Group's trade receivables from its customers are generally with credit periods of less than 30 to 60 days. The 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 2011 and 31st December 2010 were as follows:

	30th June 2011	31st December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**59,602**	56,438
31 – 60 days	**47,792**	26,779
61 – 90 days	**52,967**	38,120
91 days – 180 days	**94,854**	100,536
Over 180 days	**39,749**	72
	294,964	221,945

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	30th June 2011	31st December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**179,844**	120,782
Other payables and accruals *(Note (i))*	**229,576**	228,758
	409,420	349,540

Note:

(i) SU Industrial, an unconsolidated subsidiary, defaulted on the repayment of loans from certain banks and a finance-lease provider. As at 30th June 2011, the total outstanding principal, interest and other charges thereon amounted to approximately HK$152,748,000 and HK$41,956,000 respectively (31st December 2010: outstanding principal and interest: HK$152,748,000 and HK$33,079,000 respectively). As the Company has provided corporate guarantees for these loans, full provisions for such financial guarantees have been made by the Company and the Group as at 30th June 2011. During the period, an additional provision of approximately HK$8,877,000 (31st December 2010: HK$17,373,000) was made.

The ageing analysis of trade payables as at 30th June 2011 and 31st December 2010 are as follows:

	30th June 2011 *HK$'000* **(Unaudited)**	31st December 2010 *HK$'000* (Audited)
0 – 30 days	**45,476**	29,423
31 – 60 days	**34,147**	18,448
61 – 90 days	**42,347**	23,839
91 days – 1 year	**55,795**	46,993
Over 1 year	**2,079**	2,079
	179,844	120,782

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30th June 2011, the Group's turnover was approximately HK$286 million (30th June 2010: HK$94 million), representing an increase of approximately 204% from the same period in last financial year. Similar to last year, as the Directors and the Provisional Liquidators have not been able to gain access to certain books and records of SU Industrial and SU Qingyuan, the financial statements of SU Industrial and its wholly-owned subsidiary, Perfect Design have not been included in the condensed consolidated interim financial information of the Group. The results of SU Qingyuan, from the beginning of the year 2008, have also not been included in the condensed consolidated interim financial information of the Group.

The consolidated profit attributable to shareholders of the Company amounted to approximately HK$8 million (30th June 2010: loss of HK$4 million) for the six months ended 30th June 2011. The accrued finance costs for the six months ended 30th June 2011 of approximately HK$11 million (30th June 2010: HK$11 million) would become a part of the scheme of arrangement that the Company contemplates to implement as an element of the Company's Proposed Restructuring.

Operating profit for the six months ended 30th June 2011 was approximately HK$27 million compared to an operating profit of approximately HK$8 million in the corresponding period in 2010.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash as at 30th June 2011 was approximately HK$20 million (31st December 2010: HK$17 million). As at 30th June 2011, the total amount of banking facilities outstanding was approximately HK$195 million (31st December 2010: HK$186 million), which are currently in default and the Group is currently undergoing restructuring. The Group's gearing ratio, representing total bank borrowing less bank balances and cash (including pledged bank deposits) and divided by shareholders' equity was not applicable as the Group has negative shareholders' funds (31st December 2010: Nil).

ASSETS AND LIABILITIES

As at 30th June 2011, the Group had total assets of approximately HK$325 million (31st December 2010: HK$250 million), total liabilities of approximately HK$628 million (31st December 2010: HK$561 million). The net liabilities of the Group as at 30th June 2011 were approximately HK$303 million (31st December 2010: net liabilities of HK$311 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 Renminbi, United States dollar and Hong Kong dollar. As at 30th June 2011, the Group had insignificant exposure to foreign exchange risk as substantially all sales and purchases transactions, recognised assets and liabilities were primarily denominated in Renminbi, United States dollar and Hong Kong dollar.

INTERIM DIVIDEND

The Directors do not recommend any dividend for the six months ended 30th June 2011 (2010: Nil).

BUSINESS REVIEW

On 1st September 2009, the Company submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange with a view to seeking the Stock Exchange's approval for the resumption of trading in the shares of the Company. On 3rd May 2010, the Stock Exchange informed the Company that the Resumption Proposal did not satisfactorily demonstrate sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange decided to place the Company in the second stage of delisting procedures with effect from 3rd May 2010. The Company was required to submit a viable resumption proposal before 2nd November 2010, the expiry of the six-month period from the date the Company was placed in the second stage of delisting procedures. At the end of the period, the Stock Exchange was to determine whether it was appropriate to proceed to place the Company in the third stage of delisting procedures after considering any proposal made by the Company.

On 27th May 2010, the Investor, Mr. Yang, Mr. Ting, the Company and the Provisional Liquidators entered into a supplemental agreement to extend the exclusivity period under the Exclusivity Agreement to 31st December 2010 (the "Supplemental Exclusivity Agreement").

On the same day, the Investor and Sino Front entered into the Supplemental Working Capital Facility Agreement, pursuant to which the Investor agreed to increase the working capital facility from HK$5,000,000 to HK$55,000,000 on the terms and subject to the conditions as set out in the working capital facility agreement dated 17th June 2009 entered into by the Investor and Sino Front as supplemented by the Supplemental Working Capital Facility Agreement.

The Group has resurrected its toy trading business through Sino Front since June 2009, and has gradually expanded its customer base whilst subcontracting its manufacturing operations to OEM manufacturers in the PRC.

On 6th July 2010, the Group completed an acquisition of Five Production Lines pursuant to the acquisition agreement dated 8th June 2010 entered into between Sino Front and 藍宇玩具有限公司 and resumed its toy manufacturing business. The Five Production Lines are located 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 14th October 2010, the Company submitted a supplemental Resumption Proposal followed by several rounds of submissions to the Stock Exchange with a view to addressing the issues set out in the Stock Exchange's letter dated 3rd May 2010.

On 31st December 2010, the Company, the Provisional Liquidators, the Investor, Mr. Yang and Mr. Ting entered into a restructuring agreement in relation to the Proposed Restructuring of the Group, which provided for, inter alia, a capital restructuring, an open offer, a subscription of ordinary shares by the Investor, a scheme of arrangement in Hong Kong, a group reorganisation and a whitewash wavier.

On 31st May 2011, the Investor, Mr. Yang, Mr. Ting, the Company and the Provisional Liquidators entered into a supplemental restructuring agreement pursuant to which all parties agreed to extend the long stop date to 30th November 2011.

On 10th June 2011, the Stock Exchange informed the Company that resumption of trading in the shares of the Company will be allowed if the Company fulfils certain conditions by 30th November 2011, including (1) completion of the transactions under the Resumption Proposal; (2) inclusion in the circular to shareholders of a profit forecast for the year ending 31st December 2011 together with reports from the auditors and the financial adviser, a statement from Directors confirming working capital sufficiency for 12 months after resumption, a comfort letter from the auditors/financial adviser on the Directors' statement, a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from the auditors under Rule 4.29 of the Listing Rules; (3) provision of a full scope internal control review report confirming an adequate and effective internal control system; and (4) dismissal of the winding-up petition and discharge of the Provisional Liquidators.

On 16th June 2011, the Investor and Sino Front entered into the second supplemental working capital facility agreement, pursuant to which the Investor agreed to extend the maturity date of the working capital facility from 16 June 2011 to 30 November 2011.

On 20th June 2011 and 20th July 2011, the Company, the Provisional Liquidators, the Investor, Mr. Yang and Mr. Ting entered into the second supplemental restructuring agreement and a side letter respectively, pursuant to which the parties agreed to, inter alia, (1) revise the structure of the capital restructuring; (2) adjust the number of creditors shares; (3) adjust the terms of the subscription; (4) replace the proposed open offer with the placing of convertible bonds; and (5) include the placing of the placing shares as part of the Proposed Restructuring.

The hearing of the winding up petitions against the Company and the relevant subsidiaries, after several adjournments to allow time for the implementation of the Proposed Restructuring of the Group, is scheduled on 14th November 2011.

PROSPECTS

It is understood that it is the Investor's intention to continue the Group's trading and resurrect manufacturing of toys business through Sino Front and its subsidiaries.

Further to the acquisition of the Five Production Lines on 6th July 2010, 致福玩具（深圳）有限公司, an indirectly wholly-owned subsidiary of the Company, entered into an acquisition agreement in relation to the acquisition of entire equity interest of Jinxu on 30th March 2011. The acquisition was completed on 1st August 2011.

Jinxu is a PRC OEM toy manufacturer and operates a factory with 3 production lines in Dongguan, the PRC. With increasing orders from customers, it is expected that the Group will benefit from this acquisition which further enhances the operating efficiency for toy manufacturing. It also marks another important milestone of the Group's strategy to further reduce its reliance on existing sub-contractors. The Group believes the acquisition will enhance existing operation, and will therefore possess a more comprehensive manufacturing and trading operation.

The Group will continue to explore opportunities and means to develop and strengthen alliance with manufacturers and with customers with an aim to establishing a comprehensive production and value chain in line with its development strategies to sustain its toy business.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

To the best knowledge of the Provisional Liquidators and the Directors, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June 2011.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2011 have neither been reviewed by external auditors nor reviewed by an audit committee as no sufficient number of non-executive Directors has been appointed to constitute an audit committee.

CODE ON CORPORATE GOVERNANCE PRACTICES AND NON-COMPLIANCE OF APPENDIX 16 "DISCLOSURE OF FINANCIAL INFORMATION" OF THE LISTING RULES

Since the Provisional Liquidators were appointed on 16th October 2008 pursuant to an order of the High Court, the Directors and the Provisional Liquidators considered that compliance with the Code on Corporate Governance Practices is no longer practicable. A separate Corporate Governance Report contained the information has been omitted from this report.

THE AUDIT COMMITTEE

Following the resignation of the Company's independent non-executive Directors in October 2008 up to the date of this report, there have been no replacement and no audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2011 have not been reviewed by any audit committee.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises three executive Directors: Mr Wu Kam Bun, 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

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, 16th August 2011