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)

INTERIM REPORT

2011

Contents

Corporate Information

PROVISIONAL LIQUIDATORS

Mr. John Robert Lees
Mr. Mat Ng

DIRECTORS

Executive Directors:

Mr. Wu Kam Bun *(Chairman)*
Mr. Ho Wai Wah
Mr. Wong Wai Chuen

QUALIFIED ACCOUNTANT

Mr. Wong Wai Chuen

FINANCIAL ADVISER

Asian Capital (Corporate Finance) Limited

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Corporate Bank, Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited
BNP Paribas, Hong Kong Branch
The Bank of East Asia Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG *(Address of Provisional Liquidators)*

20/F Henley Building
5 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
PO Box 513GT, Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

2700 (listed on the Main Board of the Stock Exchange of Hong Kong Limited)

WEBSITE

www.smartunion.com.hk

BUSINESS REVIEW

On 1st September 2009, Smart Union Group (Holdings) Limited (Provisional Liquidators Appointed) (the “Company”) submitted a resumption proposal (the “Resumption Proposal”) to the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with a view to seek 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 Rules Governing the Listing of Securities on the Stock Exchange (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 is 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, 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 of the Company (the “Provisional Liquidators”) entered into a supplemental agreement to extend the exclusivity period under the exclusivity agreement dated 12th May 2009 (the “Exclusivity Agreement”) to 31st December 2010 (the “Supplemental Exclusivity Agreement”).

On the same day, the Investor and Sino Front Limited ("Sino Front"), a wholly-owned subsidiary of the Company, 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 has resurrected its toy trading business through Sino Front since June 2009, and has gradually expanded its customer base whilst subcontracted its manufacturing operations to OEM manufacturers in the People's Republic of China (the "PRC").

On 6th July 2010, the Group completed an acquisition of five production lines (the "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 (the "Proposed Restructuring"), 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 the 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 16th June 2011 to 30th 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.

Management Discussions 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 last financial year. Similar to last year, as the directors of the Company (the "Directors") and the Provisional Liquidators have not been able to gain access to certain books and records of Smart Union Industrial Limited (Provisional Liquidators Appointed) ("SU Industrial") and Smart Union (Qingyuan) Industrial Limited ("SU Qingyuan"), 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 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.

PROSPECTS

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, Zhifu Toy (Shenzhen) Limited (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 Dongguan Jinxu Toy Limited (東莞市金詡玩具有限公司) ("Jinxu") on 30 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.

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).

CONTINGENT LIABILITIES

The relevant details are set out in Note 19 to the condensed consolidated interim financial information.

PLEDGE OF ASSETS

Details of pledge of assets are set out in Note 15 to the condensed consolidated interim financial information.

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.

EMPLOYEE

As at 30th June 2011, the Group had 22 full-time employees (31st December 2010: 24) based in Hong Kong and the PRC. Through a contracting arrangement, it engaged 100 workers designated to work in the Group's production lines located in Dongguan, the PRC. Remuneration packages of the Group's employees are generally structured by reference to market terms and individual qualifications. The Group operates a defined contribution benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its employees in Hong Kong and makes contributions to social insurance for its employees in the PRC.

INTERIM DIVIDEND

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

DIRECTORS

The Directors during the period and up to the date of this report were:

Executive Directors:
Mr. Wu Kam Bun
Mr. Ho Wai Wah
Mr. Wong Wai Chuen

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Provisional Liquidators and the Directors, as at 30th June 2011, the interests of the Directors, the chief executives and their associates, in the Company's shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

Long position in ordinary shares of HK$0.1 each in the Company

Name of Director	*Note*	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wu Kam Bun ("Mr. Wu")	*1*	Interest of controlled corporations	179,328,000	32.45%
	2	Beneficial owner	2,276,000	0.41%
			181,604,000	32.86%

Notes:

1. The 179,328,000 shares were owned by Smart Place Investments Limited, a company incorporated in the British Virgin Islands, the entire share capital of which is held as to 38.5% by Mr. Wu, 38.5% by Mr. Lai Chiu Tai (decreased) ("Mr. Lai"), 10% by Mr. Ho Wai Wah, 10% by Mr. Lo Kwok Choi, and 3% by Mr. Wong Wai Chuen, all being executive Directors and former executive Directors. Mr. Wu and Mr. Lai are deemed to be interested in the 173,328,000 shares held by Smart Place Investments Limited by virtue of the SFO.

Long position in underlying shares of equity derivatives of the Company – interests in share options of the Company (being granted and remained outstanding)

Name of Director	Capacity	Number of shares in the option	Exercise period	Price of grant	Subscription price per share
				HK$	*HK$*
Mr Wu	Beneficial owner	300,000	14.5.2008 to 26.4.2017	1.00	0.78
Ho Wai Wah	Beneficial owner	500,000	14.5.2008 to 26.4.2017	1.00	0.78
Wong Wai Chuen	Beneficial owner	1,000,000	10.5.2008 to 26.4.2017	1.00	0.78

To the best knowledge of the Provisional Liquidators and the Directors, save as disclosed above, none of the Directors, chief executive nor their respective associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO as at 30th June 2011.

SUBSTANTIAL SHAREHOLDERS

To the best knowledge of the Provisional Liquidators and the Directors, as at 30th June 2011, other than the interests of a Director as disclosed under the section titled "Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company" above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, which is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in ordinary shares of HK$0.1 each in the Company and underlying shares of equity derivatives of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held/ interested	Percentage of the issued share capital of the Company
Starmate Development Inc. *(Note 1)*	Security interest in shares	168,000,000	30.40%
Wong Ying Wai *(Note 2)*	Interest of corporation controlled	168,000,000	30.40%
Mr. Lai *(Note 3)*	Interest of corporation controlled	179,328,000	32.45%
Chan Wai Ling *(Note 3)*	Interest of spouse	179,328,000	32.45%
Smart Place Investments Limited	Beneficial owner	179,328,000	32.45%
Tang Xue Jin *(Note 4)*	Beneficial owner	118,000,000	21.35%
Cheng Su Chen *(Note 5)*	Interest of corporation controlled	92,096,000	16.67%
Sky Metro Limited *(Note 5)*	Beneficial owner	92,096,000	16.67%

Notes:

1. The 168,000,000 shares were purportedly pledged by Smart Place Investments Limited to Starmate Development Inc., a company incorporated in British Virgin Islands.

2. Starmate Development Inc. is wholly owned by Wong Ying Wai.

3. The 179,328,000 shares were owned by Smart Place Investments Limited and 38.5% of the entire share capital of which is held by Mr. Lai Chiu Tai ("Mr. Lai"), who passed away on 1st November 2009. As a result, Ms. Chan Wai Ling, the wife of Mr. Lai, is deemed to be interested in the 179,328,000 shares held by Smart Place Investments Limited by virtue of the SFO.

4. On 14th January 2008, 118,000,000 new shares ("the Consideration Shares") were allotted to Mr. Tang Xue Jin ("Mr. Tang"), a shareholder of China Mining Corporation Limited ("China Mining"), being part of consideration for the acquisition of certain equity interest in China Mining. Due to the failure in fulfilling the undertakings pursuant to agreement of this acquisition by Mr. Tang, the certificates of the Consideration Shares will not be released to Mr. Tang and he will not be entitled to the Consideration Shares.

5. 92,096,000 shares were beneficially held by Sky Metro Limited, a company incorporated in British Virgin Islands, and it is wholly controlled by Cheng Su Chen, accordingly, Cheng Su Chen is deemed to be interested in all 92,096,000 shares.

To the best knowledge of the Provisional Liquidators, other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30th June 2011.

SHARE OPTION SCHEME

On 2nd September 2006, the share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company, under which, the options of the Company may grant to any eligible participants to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

The movements in share options during the period are as follows:

Name of grantee	Exercise price *HK$*	Exercisable period	As at 1st January 2011	Granted during the period ended 30th June 2011	Exercised/ lapsed during the period ended 30th June 2011	As at 30th June 2011
Mr. Wu	0.78	14.5.2008 to 26.4.2017	300,000	–	–	300,000
Ho Wai Wah	0.78	14.5.2008 to 26.4.2017	500,000	–	–	500,000
Wong Wai Chuen	0.78	10.5.2008 to 26.4.2017	1,000,000	–	–	1,000,000
Li Chak Hung	0.78	23.5.2007 to 26.4.2017	80,000	–	–	80,000
Tang Koon Yiu Thomas	0.78	16.5.2007 to 26.4.2017	80,000	–	–	80,000
Other persons	0.78	14.5.2008 to 26.4.2017	3,800,000	–	–	3,800,000
			5,760,000	–	–	5,760,000

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 have 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Securities Dealing Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the Securities Dealing Code during the period under review.

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 the audit committee.

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

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)
Revenue	*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*	**–**	–

The notes on pages 22 to 48 are an integral part of this condensed consolidated financial information.

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)

The notes on pages 22 to 48 are an integral part of this condensed consolidated financial information.

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	*13*	**19,609**	16,562
		322,441	246,636
Total assets		**325,302**	249,801

The notes on pages 22 to 48 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Financial Position

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	16	**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	15	**–**	–
Deferred tax liabilities		**16**	16
		16	16
Current liabilities			
Trade payables	14	**179,844**	120,782
Other payables and accruals	14	**229,576**	228,758
Amounts due to unconsolidated subsidiaries		**112,362**	112,362
Borrowings	15	**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)

The notes on pages 22 to 48 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2011

	Attributable to the equity holders of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-Controlling interest HK$'000	Total equity HK$'000
Balance at 1st January 2010	55,259	368,381	30,553	(787,152)	(332,959)	–	(332,959)
Loss for the period	–	–	–	(4,150)	(4,150)	–	(4,150)
Total recognised income for 2010	–	–	–	(4,150)	(4,150)	–	(4,150)
Balance at 30th June 2010	55,259	368,381	30,553	(791,302)	(337,109)	–	(337,109)
Balance at 1st January 2011	**55,259**	**368,381**	**30,474**	**(765,140)**	**(311,026)**	**–**	**(311,026)**
Profit for the period	**–**	**–**	**–**	**8,721**	**8,721**	**–**	**8,721**
Total recognised income for 2011	**–**	**–**	**–**	**8,721**	**8,721**	**–**	**8,721**
Balance at 30th June 2011	**55,259**	**368,381**	**30,474**	**(756,419)**	**(302,305)**	**–**	**(302,305)**

The notes on pages 22 to 48 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2011

	Notes	Six months ended 30th June **2011** **HK$'000** **(Unaudited)**	2010 *HK$'000* (Unaudited)
Net cash generated/(used) in operating activities		**3,047**	(15,099)
Net cash used in investing activities		**–**	(5)
Net cash generated from financing activities		**–**	30,000
Net increase in cash and cash equivalents		**3,047**	14,896
Cash and cash equivalents at the beginning of the period		**16,161**	1,987
Exchange loss on cash and cash equivalents		**–**	–
Cash and cash equivalents at the end of the period		**19,208**	16,883
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	*13*	**19,609**	17,284
Bank overdrafts	*13*	**(401)**	(401)
		19,208	16,883

The notes on pages 22 to 48 are an integral part of this condensed consolidated financial information.

Notes:

1. GENERAL INFORMATION

Smart Union Group (Holdings) Limited (Provisional Liquidators Appointed) (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 Company and its subsidiaries (together the "Group") were 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 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 (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 joint and several provisional liquidators (the "Provisional Liquidators") and the board of directors (the "Directors") of the Company 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.

2. WINDING-UP PETITIONS, APPOINTMENT OF PROVISIONAL LIQUIDATORS AND GROUP RESTRUCTURING *(Continued)*

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 is 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.

2. WINDING-UP PETITIONS, APPOINTMENT OF PROVISIONAL LIQUIDATORS AND GROUP RESTRUCTURING *(Continued)*

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 the 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 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.

2. WINDING-UP PETITIONS, APPOINTMENT OF PROVISIONAL LIQUIDATORS AND GROUP RESTRUCTURING *(Continued)*

On 1st August 2011, Sino Front completed another acquisition, of which, the Group acquired the entire equity interest of Dongguan Jinxu Toy Limited (東莞市金詡玩具有限公司) ("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 30 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries not consolidated *(Continued)*

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries not consolidated *(Continued)*

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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)	Amendment 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) – 14 (Amendments)	Amendment to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Accounting policies *(Continued)*

(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 of First-time Adopters[1]
HKFRS 7 (Amendment)	Amendments to HKFRS 7 Financial Instruments: Disclosure – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangement[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 or after 1 July 2012
4 Effective for annual periods beginning 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. REVENUE

The Group is principally engaged in the trading and manufacturing of toy products. Revenue recognized during the period is as follows:

	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 regions:

	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.

5. SEGMENT INFORMATION *(Continued)*

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

	30th June 2011	31st December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(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	2010
	HK$'000	*HK$'000*
	(Unaudited)	(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	2010
	HK$'000	*HK$'000*
	(Unaudited)	(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	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(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 HK$'000 (Unaudited)	31st December 2010 HK$'000 (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 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 HK$'000 (Unaudited)	31st December 2010 HK$'000 (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. CASH AND CASH EQUIVALENTS

	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (Audited)
Cash at bank and on hand	19,609	16,562
Maximum exposure to credit risk	19,609	16,562

Cash and cash equivalents for the purposes of the consolidated cash flow statement are as follows:

	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (Audited)
Bank balance and cash	19,609	16,562
Less: bank overdrafts	(401)	(401)
Cash and cash equivalents	19,208	16,161

14. TRADE AND OTHER PAYABLES AND ACCRUALS

	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (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.

15. BORROWINGS

	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (Audited)
Non-current		
Other borrowing, secured *(Note (i))*	–	–
	–	–
Current		
Bank overdrafts *(Note (ii) and 13)*	401	401
Factoring facilities utilised	1,022	1,022
Other borrowings, secured *(Note (i) and (iii))*	91,513	91,513
	92,936	92,936
Total borrowings	92,936	92,936

Notes:

(i) Pursuant to the Supplemental Working Capital Facility Agreement, the Investor has provided a loan of HK$55,000,000 to Sino Front, which is secured by a debenture, to enable the Group to meet its working capital needs. The debenture is charged by all assets under takings and property of Sino Front. The loan bears interest at 2% per annum and is repayable on or before 30th November 2011.

(ii) Secured bank borrowings at 30th June 2011 were secured by corporate guarantees executed by the Company.

15. BORROWINGS *(Continued)*

(iii) As at 30th June 2011, other secured borrowings comprised loans from two independent third parties amounting to approximately HK$36,513,000 (31st December 2010: HK$36,513,000). An amount of HK$18,913,000 (31st December 2010: HK$18,913,000) bears interest at 7% per annum and repayable on demand, whilst the remaining balance of HK$17,600,000 (31st December 2010: HK$17,600,000) bears interest at 3% per annum above the Hong Kong Interbank Offer Rate and repayable on demand. As at 30th June 2011, the total outstanding interest thereon amounted to approximately HK$6,453,000 (31st December 2010: HK$4,905,000) which was recorded under "other payable and accruals".

These secured borrowings are secured by: (i) a debenture over all the assets of Smart Union China Investments Limited ("SU China"), a subsidiary of the Group; (ii) a debenture over all the assets of Smart Union Investments Limited ("SU Investments"), a subsidiary of the Group; (iii) a charge over the shares in SU China; and (iv) a guarantee from Smart Place Investments Limited for the outstanding balance due from the Company to one of these independent third parties of approximately HK$17,600,000.

16. SHARE CAPITAL

(a) Authorised and issued capital

	Number of shares	Nominal value *HK$'000*
Authorised – ordinary shares of HK$0.1 each		
As at 31st December 2010 and 30th June 2011	2,000,000,000	200,000
Issued and fully paid – ordinary shares of HK0.1 each		
As at 1st January 2010 and 31st December 2010	552,586,000	55,259
As at 1st January 2011 and 30th June 2011	552,586,000	55,259

16. SHARE CAPITAL *(Continued)*

(b) Share option scheme

On 2nd September 2006, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company, under which the Company may grant the options to any eligible participants to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

On 27th April 2007, share options with rights to subscribe for a total of 10,100,000 shares of the Company at a subscription price of HK$0.78 per share were granted to selected persons with a maximum vesting period of three years, and the expiry date of such options will be on 26th April 2017.

Movements in the share options are as follows:

	2011		2010	
	Exercise price per share *HK$*	**Number of share options**	Exercise price per share *HK$*	Number of share options
As at 1st January	**0.78**	**5,760,000**	0.78	6,060,000
Lapsed	**–**	**–**	0.78	(300,000)
As at 30th June	**0.78**	**5,760,000**	0.78	5,760,000

5,760,000 (30th June 2010: 5,760,000) outstanding options as at 30th June 2011 were exercisable. No option has been exercised during the six month ended 30th June 2011. These share options (subject to prior valid exercise) will lapse no later than the scheme of arrangement becoming effective.

17. COMMITMENTS

(a) Capital commitments

Capital expenditures at the end of the reporting period but not yet incurred are as follows:

	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (Audited)
Contracted but not provided for		
– Equity investment	2,300	–

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th June 2011 HK$'000 (Unaudited)	31st December 2010 HK$'000 (Audited)
Not later than one year	1,432	1,743
Later than 1 year and not later than 5 years	4,025	4,715
	5,457	6,458

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had the following significant transactions carried out with related parties during the six months ended 30th June 2011.

(a) Key management compensation

	30th June 2011	30th June 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**–**	–
Pension costs – defined contribution plans	**–**	–
Share-based compensation	**–**	–
	–	–

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with unconsolidated subsidiaries and a former subsidiary

	30th June 2011 *HK$'000* (Unaudited)	31st December 2010 *HK$'000* (Audited)
Amounts due from unconsolidated subsidiaries		
– SU Industrial	**231,937**	231,937
– Perfect Design	**2**	2
	231,939	231,939
Less: Accumulated impairment losses	**(231,939)**	(231,939)
	–	–
Amount due from a former subsidiary		
– SU Qingyuan	**32,241**	32,241
Less: Accumulated impairment losses	**(32,241)**	(32,241)
	–	–
Amounts due to unconsolidated subsidiaries:		
– SU Industrial	**(111,051)**	(111,051)
– Perfect Design	**(1,311)**	(1,311)
	(112,362)	(112,362)

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with unconsolidated subsidiaries and a former subsidiary *(Continued)*

The amounts due from/(to) unconsolidated subsidiaries and a former subsidiary are denominated in Hong Kong dollars, unsecured, interest-free and repayable on demand.

Due to the freezing orders on certain major assets and production facilities of SU Industrial as discussed in Note 3.2, the Group has not been able to recover the amounts due from SU Industrial and its subsidiary, Perfect Design and Product Development Limited. Accordingly, full provisions have been made in respect of the above balances.

As discussed in Note 3.2, SU Qingyuan was also subject to similar freezing orders. During the year ended 31st December 2010, the assets of SU Qingyuan was realised by the local authorities at approximately HK$35,075,000 for the settlement of liabilities and an excess amounting to approximately HK$11,066,000 was refunded to SU Qingyuan, resulting in a write-back of previously recognised impairment losses. The remaining amount of approximately HK$32,231,000 due from SU Qingyuan is considered irrecoverable and full provision has been made.

19. CONTINGENT LIABILITIES

(a) Transaction with Top Bright Investments Limited

Pursuant to an agreement (the "Disposal Agreement") entered into between SU Qingyuan, a former subsidiary (as vendor), Top Bright Investments Limited ("Top Bright"), an independent third party (as purchaser), and SU China and the Company (as guarantors) on 29th July 2008, a property of SU Qingyuan in the PRC (the "Property") was sold to Top Bright for HK$27,000,000. The consideration was to be settled partially by cash of HK$17,000,000 and the remaining balance of HK$10,000,000 was to be satisfied by the transfer to SU Investments all the equity interests in a company, Goldbush Design Limited, which was engaged in holding of patents of two interactive electronic toys (the "Goldbush Shares") and wholly owned by Top Pride Limited, and all debts owing or incurred by Goldbush Design Limited to Top Pride Limited upon the completion of the transaction.

The cash consideration of HK$17,000,000 was received by SU Industrial, an unconsolidated subsidiary, in August 2008. However, the transfer of the Property and the transfer of Goldbush Shares have not been completed and, as a result, Top Bright has requested SU Qingyuan, SU China and the Company to recover the cash consideration of HK$17,000,000 and the interest thereon. No repayment has been made by these companies so far. The Provisional Liquidators, based on the legal advice obtained, are of the opinion that the Disposal Agreement is not enforceable on the Company or SU China and the obligation for the repayment of cash consideration of HK$17,000,000 to Top Bright should only be attributable to SU Industrial which had received the cash consideration.

As explained in Note 3.2, the financial information of SU Industrial have not been consolidated in the condensed consolidated interim financial information of the Group because the Directors have not been able to get access to certain books and records of SU Industrial. Accordingly, no provision has been made in respect of any liability that may result from the above transaction in the condensed consolidated interim financial information as at 30th June 2011 and 2010.

19. CONTINGENT LIABILITIES *(Continued)*

(b) Deeds of novation and security

Pursuant to the deeds of novation dated 10th July 2008 and 1st October 2008 (the "Deeds of Novation") entered into between the Company and certain creditors of SU Industrial, an unconsolidated subsidiary, the Company has agreed to assume certain debts of SU Industrial of HK$15,400,000 and HK$15,353,000 respectively. Moreover, SU China and SU Investments have also agreed to provide certain charges and guarantees to such creditors in respect of the debts of SU Industrial.

The Provisional Liquidators, based on the legal advice obtained, are of the view that the Deeds of Novation are subject to legal challenge on the ground that the Directors then were not acting in the best interest of the Company by causing the Company to assume the debt obligations of SU Industrial since at the relevant time, the Company and SU Industrial were in financial difficulties and were unable to repay their own respective debts as they fell due and hence there was no commercial benefit for the Company to assume the debt obligations of SU Industrial. Further, the Provisional Liquidators are of the view that the security given by the Group mentioned above are subject to legal challenge on various grounds, including that their respective directors then were not acting in the best interests of SU Investments or SU China by causing them to provide such security and there was no commercial benefit passing to SU Investments or SU China to provide such security. Accordingly, no provision has been made in respect of any liability that may result from the Deeds of Novation.

Should the above Disposal Agreement or Deeds of Novation be enforceable and the resolution of the above transactions turns out to be unfavourable to the Group, the Group may need to record additional losses in respect of the above contingent liabilities.