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The logo for Smart Union, featuring the words "Smart Union" in a white, cursive font on a red rectangular background, with a blue horizontal bar below it.

## **Smart Union Group (Holdings) Limited**

**合俊集團(控股)有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2700)**

### **PLACING OF NEW SHARES AND RESUMPTION OF TRADING**

**Placing Agent**



**China Everbright Securities (HK) Limited**

On 17 July 2007 the Company entered into the conditional Placing Agreement with the Placing Agent for the placing of up to an aggregate of 70,000,000 new Shares to the Placees at the Placing Price of HK\$1.67 per Placing Share.

The Placing Shares will be allotted and issued to the Placee(s) and represent, in aggregate, (i) approximately 25.7% of the existing issued share capital of the Company; and (ii) approximately 20.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing Price of HK\$1.67 per Placing Share represents (i) a discount of approximately 25.8% to the closing price of HK\$2.25 per Share as quoted on the Stock Exchange on 16 July 2007, being the last trading day immediately before the entering into of the Placing Agreement; (ii) a discount of approximately 24.7% to the average closing price of approximately HK\$2.218 per Share as quoted on the

Stock Exchange for the last 5 consecutive trading days up to and including 16 July 2007, being the last trading day immediately before the entering into of the Placing Agreement; and (iii) a premium of approximately 14.61% over the average closing price of approximately HK\$1.457 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including 16 July 2007, being the last trading day immediately before the entering into of the Placing Agreement.

The gross proceeds of the Placing will amount to approximately HK\$116.9 million and the net proceeds receivable by the Company under the Placing are estimated to be approximately HK\$115 million after deducting relevant expenses incurred in relation to the Placing. It is presently expected that the net proceeds will be applied towards as part of the consideration of the Possible Acquisition and as working capital for further development of the silver mine as referred to in the announcement dated 16 July 2007.

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange from 9:30 a.m. on 17 July 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 July 2007.

## **THE PLACING AGREEMENT**

**Date** : 17 July 2007

**Issuer** : The Company

**Placing Agent** : China Everbright Securities (HK) Limited, an Independent Third Party

### **Placees**

The Placing Shares will be placed on a best endeavour basis to not less than six Placees which will be individuals, corporate, institutional investors or other investors procured by the Placing Agent. The Placee(s) and their ultimate beneficial owners(s) will be Independent Third Party(ies).

It is expected that none of the Placees will become substantial Shareholder of the Company immediately after the Placing.

The vendor of the Possible Acquisition will not become a Placee and does not have any relationship with the Placees or the Placing Agent in the Placing.

## **Placing Shares**

The Placing Shares will be allotted and issued to the Placee(s) and represent, in aggregate, (i) approximately 25.7% of the existing issued share capital of the Company; and (ii) approximately 20.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing Shares will rank, upon issue, pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Placing Shares.

## **Placing Price**

The Placing Price of HK\$1.67 per Placing Share represents (i) a discount of approximately 25.8% to the closing price of HK\$2.25 per Share as quoted on the Stock Exchange on 16 July 2007, being the last trading day immediately before the entering into of the Placing Agreement; (ii) a discount of approximately 24.7% to the average closing price of approximately HK\$2.218 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 16 July 2007, being the last trading day immediately before the entering into of the Placing Agreement; and (iii) a premium of approximately 14.61% over the average closing price of approximately HK\$1.457 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including 16 July 2007, being the last trading day immediately before the entering into of the Placing Agreement.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the closing prices as shown above. The Directors consider that the discount of the Placing Price is a result of the recent thrust and fluctuation in the Share price and it is more fair and reasonable to adopt the long term average price as a reference and comparable to the Placing Price. The Directors consider that the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Placing Costs**

The Company shall pay to the Placing Agent the placing commission of 1.5% of the aggregate Placing Price of the total number of Placing Shares sold on behalf of the Company by the Placing Agent in pursuance of its obligations under the Placing Agreement and all reasonable costs, fees and expenses in relation to the preparation and completion of the Placing Agreement and the allotment and issue of the Placing Shares.

## **Specific mandate to issue the Placing Shares**

The Placing Shares will be allotted and issued pursuant to the specific mandate sought to be granted to the Directors at the EGM.

## **Conditions of the Placing**

The Placing is conditional upon the followings:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Placing Shares;
- (ii) the Company obtaining all consents and approvals from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable;
- (iii) the entering into the formal sale and purchase agreement by the relevant parties in respect of the Possible Acquisition; and
- (iv) the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Placing Agreement and the transactions contemplated thereunder.

In the event that the conditions of the Placing are not fulfilled on or before the date falling 31 days from the date of the Placing Agreement (or such other date as may be agreed between the parties) in writing, the Placing Agreement shall cease and neither the Company nor the Placing Agent shall have any claim against the others under the Placing Agreement.

## **Completion of the Placing**

Completion of the Placing will take place at 4:00 p.m. at the office of the Placing Agent on the next Business Day after the date falling two months from the date of the Placing Agreement subject to the satisfaction of the conditions set out above (or such other time or date as the Company and the Placing Agent shall agree).

Further announcement will be made once the number of the actual Placing Shares is confirmed.

## **Force majeure**

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the day of Completion if:

- (1) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (2) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (4) any statement contained in the announcements, circulars, interim and annual reports issued by the Company to the Stock Exchange or the Shareholders since the publication of the press announcement of the Company relating to the annual results of the Company for the year ended 31 December 2006 has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

The Company may, in its reasonable opinion, after consultation with the Placing Agent, terminate the Placing Agreement by notice in writing to the Placing Agent at any time up to 8:00 a.m. on the day of Completion if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Placing Agreement and such breach is considered by the Company on reasonable grounds to be material.

Upon termination of the Placing Agreement pursuant to the above mentioned force majeure factors, all liabilities of the Company and the Placing Agent shall cease and no party of the Placing Agreement shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save of any antecedent breach of any obligation under the Placing Agreement.

## **Application for listing**

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, all the Placing Shares.

## **Reasons for the Placing**

The Group is principally engaged in manufacturing and trading of toys and recreational products on a OEM basis.

The Board considers that the Placing represents an opportunity to raise capital for the Group while broadening its shareholder and capital base. Reference is also made to the announcement of the Company in relation to the Possible Acquisition. The Directors consider that it is prudent for the Group to have sufficient fund for its future diversification and expansion of business.

## **Use of proceeds**

The gross proceeds of the Placing will amount to approximately HK\$116.9 million. The net proceeds receivable by the Company, after deducting relevant expenses incurred in relation to the Placing, are estimated to be approximately HK\$115 million. It is expected that the net proceeds will be applied towards part of the consideration of the Possible Acquisition and as working capital for further development of the silver mine as referred to in the announcement dated 16 July 2007. Should the Possible Acquisition fail to complete after the entering into the formal sale and purchase agreement for the Possible Acquisition, it is intended that the proceeds from the Placing will be applied towards the general working capital of the Company and/or any suitable investment(s).

The Directors consider that, in light of the Possible Acquisition, it is prudent for the Group to have sufficient fund to meet its capital requirement as a result of the proposed diversification and expansion of business of the Group. The Directors consider that the Placing Agreement is entered into under normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

## **General**

A circular containing further detail of the Placing and a notice of EGM will be despatched to the Shareholders as soon as possible in compliance with the Listing Rules. To the best of the Directors' knowledge, information and belief having making all reasonable enquiries, no shareholders have a material interest in the Placing and/or the Possible Acquisition and therefore required to abstain from voting at the

EGM. To the best of the Directors' knowledge, information and belief having making all reasonable enquiries, as at the date of this announcement, the vendor of the Possible Acquisition and his associates are not interested in any Shares of the Company.

## FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The following fund raising activity has been carried out by the Company in the twelve months immediately prior to the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
19 September 2006	Public offering	About HK\$55 million	<p>Approximately HK\$25 million for the expansion of the production facilities in Qing Yuan</p> <p>Approximately HK\$5 million for development of ODM business</p> <p>Approximately HK\$5 million for enhancing the Group's production capacity, production standard and environment</p> <p>Approximately HK\$13 million for repayment of bank borrowings</p> <p>Remaining balance of approximately HK\$7 million for general working capital of the Group</p>	<p>Approximately HK\$15 million has been used for expansion of production facilities in Qing Yuan</p> <p>Approximately HK\$2 million has been used for Dreamlink's ODM development</p> <p>Approximately HK\$4.6 million has been used for purchase of production equipment and renovation of production working environment</p> <p>Approximately HK\$13 million has been used for repayment of bank borrowings</p> <p>Approximately HK\$7 million has been used as general working capital of the Group.</p> <p>Remaining proceeds of HK\$13.4 million has not been utilised and it will be applied in the same manner as disclosed in the prospectus of the Company dated 19 September 2006. There is no material change to the intended use of the remaining HK\$13.4 million proceeds</p>
12 June 2007	Placing of existing Shares and subscription of new Shares	About HK\$41.8 million	For investments in production facilities of toys and recreational products and for general working capital	<p>Approximately HK\$5.4 million has been used for payment of production facilities</p> <p>Approximately HK\$12.5 million has been used for the payment of staff and worker salaries</p> <p>Approximately HK\$12.5 million has been used for the payment of materials and subcontracting expenses</p> <p>Approximately HK\$11.4 million for the repayment of revolving bank facilities borrowing</p>

Save as disclosed above, the Company has not conducted any fund raising exercise during the past twelve months immediately preceding the date of this announcement.

## CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The changes in the shareholding structure of the Company as a result of the Placing are as follows:

Shareholders	Issued share capital as at the date of this announcement		Issued share capital immediately after completion of the Placing	
	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate Percentage</i>
Smart Place Investments Limited and its associates	170,854,000	62.7%	170,854,000	49.9%
Public Shareholders Places	—	—	70,000,000	20.4%
Other public Shareholders	<u>101,626,000</u>	<u>37.3%</u>	<u>101,626,000</u>	<u>29.7%</u>
Total	<u>272,480,000</u>	<u>100.00%</u>	<u>342,480,000</u>	<u>100.00%</u>

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange from 9:30 a.m. on 17 July 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 July 2007.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (not being Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours



“Company”	Smart Union Group (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve, among other matters, the grant of the specific mandate to the Directors for the allotment and issue of the Placing Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Placing Shares by or on behalf of the Placing Agent to the Placees pursuant to the Placing Agreement

“Placing Agent”	China Everbright Securities (HK) Limited, the placing agent under the Placing and a licensed corporation for Types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the agreement dated 17 July 2007 and entered into between the Company and the Placing Agent in respect of the Placing
“Placing Price”	the placing price of HK\$1.67 per Placing Share
“Placing Shares”	up to an aggregate of 70,000,000 new Shares to be allotted and issued under the Placing
“Possible Acquisition”	the possible acquisition by the Company (as purchaser) from Mr. Tang Xue Jin (唐學勁) (as vendor) of not less than 20% and not more than 49% of the issued share capital of China Mining Corporation Limited as contemplated under the memorandum of understandings dated 16 July 2007 as disclosed in the announcement of the Company dated 16 July 2007
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**Smart Union Group (Holdings) Limited**  
**Wu Kam Bun**  
*Chairman*

Hong Kong, 18 July 2007

*As at the date of this announcement, the Board comprises of five executive Directors: Mr. Wu Kam Bun, Mr. Lai Chiu Tai, Mr. Lo Kwok Choi, Mr. Ho Wai Wah and Mr. Wong Wai Chuen; and three independent non-executive Directors: Dr. Lui Sun Wing, Mr. Li Chak Hung and Mr. Tang Koon Yiu, Thomas.*