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Smart Union

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)

- (1) DISCLOSEABLE TRANSACTIONS:
DISPOSAL OF PRC PROPERTY AND
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
GOLDBUSH DESIGN LIMITED;
(2) SUBSCRIPTION OF NEW SHARES;
(3) PROFIT WARNING;
AND
(4) RESUMPTION OF TRADING**

DISCLOSEABLE TRANSACTIONS

Disposal

On 29 July 2008 (after trading hours), SU Qingyuan, an indirect wholly-owned subsidiary of the Company entered into the Disposal Agreement with Top Bright, an Independent Third Party in relation to the disposal of the PRC Property for a consideration of HK\$27,000,000.

Acquisition

On 29 July 2008 (after trading hours), Top Pride, an Independent Third Party entered into the Acquisition Agreement with SU Investments in relation to the acquisition of the Goldbush Share and Goldbush Loan for a consideration of HK\$10,000,000, which shall be set off against part of the consideration on the Disposal.

Completion of the Disposal and the Acquisition will take place within three Business Days after all conditions under the Disposal Agreement and Acquisition Agreement are fulfilled. The completion of the Disposal and the Acquisition will be taken place simultaneously.

The Disposal and the Acquisition constitutes discloseable transactions on the part of the Company under Rule 14.06 of the Listing Rules. A circular containing further details of the Disposal and the Acquisition will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

SUBSCRIPTION OF NEW SHARES

On 29 July 2008 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, an Independent Third Party pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 92,096,000 Shares in cash at the Subscription Price of HK\$0.293 per Subscription Share.

The Subscription Price of HK\$0.293 per Subscription Share represents: (i) a discount of approximately 19.7% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on 29 July 2008, being the date of the Subscription Agreement and the date on which the terms of the Subscription were fixed; and (ii) a discount of approximately 9.57% to the average closing price of approximately HK\$0.324 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Subscription Shares represent approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The net proceeds of the Subscription of approximately HK\$26.8 million will be applied towards the general working capital of the Group.

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board would like to inform the Shareholders and potential investors of the Group's interim results may be adversely affected by, among others, decrease in production and inventory written off of one of the two factories located in Zhangmutou, Dongguan due to the flooding incident in Zhangmutou in late June.

The information contained in this announcement is only a preliminary estimate by the Board based on the information on hands. The Board is not in a position to quantify the financial impact on the Group at this stage. Further details of the Group's performance will be disclosed when the interim results for the half year ended 30 June 2008 are announced which is expected to be in September 2008.

Potential investors and Shareholders should exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 30 July 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 4 August 2008.

(1) DISCLOSEABLE TRANSACTIONS

DISPOSAL AGREEMENT

Date: 29 July 2008 (after trading hours)

Parties:

- (1) Vendor : Smart Union Qingyuan Industrial Limited, the vendor to the Disposal Agreement
- (2) Purchaser : Top Bright Investments Limited, the purchaser to the Disposal Agreement
- (3) Guarantors : SU China, one of guarantors to the Disposal Agreement
The Company, one of guarantors to the Disposal Agreement

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Top Bright and its ultimate beneficial owner is an Independent Third Party.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that the ultimate beneficial owners of Top Bright and Top Pride are the same, Top Bright, Top Pride, Subscriber and their respective ultimate beneficial owners are independent from each others.

Assets to be disposed of

The PRC Property including but not limited to the land and the building located at Sijiu Jiangao Village, Tangtang Town, Fogang County, Qing Yuan City, Guangdong Province, the PRC.

Consideration

The consideration for the Disposal is HK\$27,000,000 and shall be paid by Top Bright in the manner as follows:

- (1) as to HK\$10,000,000 to be satisfied in cash by Top Bright delivering to SU Qingyuan to a designated account of SU Qingyuan upon signing of the Disposal Agreement;
- (2) as to HK\$7,000,000 to be satisfied in cash by Top Bright delivering to SU Qingyuan to a designated account of SU Qingyuan on Completion;

- (3) as to HK\$10,000,000 to be satisfied by the transfer of Goldbush Share and Goldbush Loan by Top Bright to SU Qingyuan (or its nominee) in accordance with the terms and conditions of the Acquisition Agreement.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties to the Disposal Agreement and have taken into account (i) the net book value of the PRC Property of approximately HK\$54.3 million; (ii) the remote location of Qing Yuan area, and there is no open property market and lack of immediate willing buyers for the factory building in that county district; (iii) the Group is now negotiating with Top Bright for leasing back of the PRC Property, such that there will not be any material disruption to the Group production operation; (iv) adverse effect of the flooding incidents in Zhangmutou in the productivity of the Group, the Group requires more working capital for its operation; and (v) the Disposal enables the Group to realize cash for future operation and development. As such the Directors are of the view that, despite the expected loss resulting from the Disposal, the consideration and the terms of the Disposal Agreement are fair and reasonable, and is in the interests of the Group and the Shareholders as a whole.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (1) legal opinion on the laws of the PRC to be issued by a firm of PRC lawyers acceptable to the Purchaser covering such matters relevant to the transactions contemplated under the Disposal Agreement in such form and substance to the satisfaction of the Purchaser having been obtained including but not limited to an opinion that the Vendor is the legal and beneficial owner, user, and occupier of the PRC Property free from incumbrances at the time and immediately before completion and the Purchaser shall be the legal and beneficial owners, user and occupier of the PRC Property free from incumbrances and the Vendor shall cease to have any interest therein or thereon after completion;
- (2) all necessary approvals, consents, authorizations or other approvals of any kind in connection with the entering into and performance of the terms of the Disposal Agreement which may required from any regulatory authority and under any existing contractual arrangements of the Purchaser including loans, security and other finance documentation and the satisfaction of any regulatory requirements to which the Purchaser is subjected to and/or such other party or authority may request; and
- (3) the Acquisition Agreement having become unconditional (save for the conditions for the Disposal Agreement to become unconditional).

If any of the conditions set out above have not been satisfied on or before 12:00 noon on 20 August 2008, or such later date as the parties may agree, the Disposal Agreement shall cease and determine and neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms thereof.

Condition subsequent

The parties agreed a condition subsequent in additional to the conditions precedent, upon Completion, SU Qingyuan shall within four months complete all necessary transfer and registration of the legal title to the PRC Property in favour of Top Bright (or its nominee PRC company) and all consents, approvals, permits, authorisations or clearances (as the case may be) that Top Bright considers appropriate pursuant to the applicable laws for the execution, implementation and completion of the sale and purchase the PRC Property having been obtained and for continuation of the business of SU Qingyuan, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn.

If the condition subsequent not fulfilled within four months from the Completion or such later date as the parties may determine, the Purchaser may at its sole discretion unwind the transactions to the extent completed as contemplated in the Disposal Agreement, including (i) repay and/or procure the repayment to Top Bright the money paid by Top Bright together with interest accrued at the best lending rate for Hong Kong dollar as quoted by The Bank of China, Hong Kong compounded monthly calculated from the date of payment by Top Bright until the date the full amount of the money as paid and interest accrued is repaid to Top Bright; and (ii) procure the unwinding of the Goldbush Agreement.

In case the condition subsequent is not fulfilled, the Company will make further announcement in compliance with the Listing Rules.

Completion

Completion will take place within three Business Days after all the conditions as stated above have been satisfied or waived (as the case may be) which shall be simultaneously with the completion of the Acquisition Agreement.

It is the intention of the parties to the Disposal Agreement to negotiation for lease back of the PRC Property to the Group. Subsequent announcement will be published if necessary, in compliance with the Listing Rules.

ACQUISITION AGREEMENT

Date: 29 July 2008 (after trading hours)

Parties: (1) Top Pride, the vendor to the Acquisition Agreement
(2) SU Investments Limited, the purchaser to the Acquisition Agreement

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Top Pride and its ultimate beneficial owner is an Independent Third Party.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that the ultimate beneficial owners of Top Pride and Top Bright are the same, Top Pride, Top Bright, Subscriber and their respective ultimate beneficial owners are independent from each others.

Assets to be acquired

Pursuant to the Acquisition Agreement, SU Investments has agreed to acquire and Top Pride as agreed to sell: (i) the Goldbush Share being one share of US\$1.00 in the share capital of Goldbush, representing the entire issued share capital of Goldbush; and (ii) the Goldbush Loan, which amounts to approximately HK\$7,142,059.21 as at 30 June 2008.

Consideration

The consideration for the sale and purchase of the Goldbush Share and Goldbush Loan is HK\$10,000,000, which shall be applied to set off part of the consideration for the sale and purchase of the PRC Property in accordance with the terms and conditions of the Disposal Agreement.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and has taken into account the net assets value of Goldbush amount to approximately HK\$7.80 and the Goldbush Loan amounts to approximately HK\$7,142,059.21. As the Company is acquiring both the Goldbush Shares and Goldbush Loan, and which the Goldbush Loan of approximately HK\$7,142,059.21 will be assigned, accordingly, the remaining amount of approximately HK\$2,857,940.79 will be a premium for the future benefit which would be obtained from the Patents and the utilization of the Patents related manufacturing moulds and tools. The Company considers that the consideration for the Acquisition to be fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

Condition

- (1) SU Investments being satisfied with the results of the due diligence review on Goldbush to be conducted;
- (2) all necessary consents and approvals required to be obtained on the part of Top Pride and SU Investments in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained;
- (3) the warranties as stated in the Acquisition Agreement remaining true and accurate in all respects;
- (4) the Disposal Agreement having become unconditional (save for the conditions for the Acquisition Agreement to become unconditional).

If any of the conditions set out above have not been satisfied on or before 12:00 noon on 20 August 2008, or such later date as the parties may agree, the Acquisition Agreement shall cease and determine and neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms thereof.

Completion

Completion will take place within three Business Days after all the conditions as stated above have been satisfied or waived (as the case may be) which shall be simultaneously with the completion of the Disposal Agreement.

INFORMATION ON THE PRC PROPERTY

The PRC Property is a factory complex situated at Sijiu Jiangao Village, Tangtang Town, Fogang County, Qing Yuan City, Guangdong Province, the PRC. The total gross floor area of the PRC Property is approximately 100,000.1 m². The PRC Property has been served as the production facilities of the Group.

Top Bright is a company incorporated in the British Virgin Islands, which is principally engaging in investment holding. Its entire issued share capital is owned by the ultimate beneficial owner of Top Pride, an Independent Third Party.

INFORMATION ON GOLDBUSH

Goldbush is a company incorporated in the British Virgin Islands on 9 January 2008, principally engaged in investment holding, its entire issued share capital is owned by Top Pride. Goldbush is the legal and beneficial owner of the Patents granted in the United State of America.

The Patents cover some interactive toy play sets with or without sensor are originally invented by the ultimate beneficial owner of Top Bright and Top Pride, which together with the related manufacturing moulds and tools for manufacturing of two interactive electronic toys known as “Interactive Workbench” and “Cool Sounds Kitchen” were subsequently assigned to Goldbush. The Patents effectively granted the inventor, its assignee and/or successor a monopoly and exclusive rights on the invention including but not limited to manufacturing of the products for a period of 20 years from 29 August 2002. To the best of the knowledge of Top Pride, the Patents are not subject to any existing or subsisting third party rights or licence or agreement to grant any licence to any third party.

Top Pride is a company incorporated in the British Virgin Islands, which is principally engaging in investment holding. Its entire issued share capital is owned by the ultimate beneficial owner of Top Bright, an Independent Third Party.

REASONS FOR THE DISPOSAL AND THE ACQUISITION

The Group is principally engaged in manufacturing and trading of toys and recreational products on an OEM basis. The Group will continue to carry on its existing business after Completion.

During the year 2007, the toy industry is facing amid difficulties and challenges and the Group cannot escape from the problems caused by the industry and business environment. The product recall incident badly affected the toy industry which has eroded the confidence of various markets, investors and regulators which consequently induce the strict control on painting process, operation system and safety concern. As such, the Group’s testing cost, control cost and operation cost incurred in manufacturing and product procurement have been tremendously increased.

In addition, the recent heavy rain and flooding incident in Zhangmutou, Dongguan, the PRC directly affect the productivity and operation of the Group, as such, the Group requires more working capital for its operation.

The Disposal enables the Company to (i) re-allocate all its resources and the management focus to its remaining business for more efficient management, (ii) realize cash for future development and investment of the Group. In addition, the intention and negotiation by the parties of leasing back the PRC Property to the Group may allow the Group to keep its existing operation but with better cash position.

The Acquisition, through the indirect acquisition of the Patents rights and the related manufacturing moulds and tools for manufacturing of two interactive electronic toys known as “Interactive Workbench” and Cool Sounds Kitchen” introduces a good opportunity for the Group to (i) capture the huge market potential of the toy’s industry; (ii) strengthen the Group’s business model by upward integrating into the sales and distribution section of the toy’s industry in which the Group has not tapped previously; (iii) develop high-end products with proprietary ownership and direct sales channel and reduce the reliance of the thin-margin manufacturing business, i.e. gradually transform the OEM manufacturer to a toy company. As such, the Group could expand its business by producing and selling its own toys products thereafter in addition to its current OEM business.

The Directors consider the terms of the Disposal Agreement and the Acquisition Agreement were entered into by the parties thereto after arm’s length negotiations and on normal commercial terms and the terms of the Disposal Agreement and the Acquisition Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND THE ACQUISITION

Upon completion of the Disposal, the Group will cease holding any interests in the PRC Property.

Upon completion of the Acquisition, Goldbush shall become an indirect wholly-owned subsidiary of the Company and its accounts will be consolidated into the Group’s accounts as subsidiary of the Company.

As Goldbush was incorporated on 9 January 2008, there is no track record of revenue, profit before and after taxation for the past two years. According to its unaudited financial statements of Goldbush, the total assets of which amount to HK\$7,142,059.21.

It is estimated that, upon completion of the Disposal and Acquisition, the Group will record a loss on disposal of the PRC Property of approximately HK\$27.3 million which is based on the the net book value of the PRC Property of approximately HK\$54.3 million minus the disposal consideration of HK\$27 million. Such loss on disposal will be reflected in the consolidated financial statements of the Group in the year ending 31 December 2008. The net proceeds of the Disposal of approximately HK\$26.9 million will be applied towards the general working capital of the Group.

LISTING RULES IMPLICATION

The Disposal and the Acquisition constitutes a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules.

A circular containing, among other matters, further details of the Disposal and the Acquisition will be despatched to the shareholders of the Company as soon as practicable and in accordance with the Listing Rules.

(2) SUBSCRIPTION AGREEMENT

Date: 29 July 2008 (after trading hours)

Parties: (1) Issuer : The Company
(2) Subscriber : Sky Metro Limited

On 29 July 2008 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 92,096,000 Shares in cash at the Subscription Price of HK\$0.293 per Subscription Share.

The Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The entire issued share capital of the Subscriber is owned by Miss Cheng Su Chen. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner is an Independent Third Party.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that the ultimate beneficial owners of Top Pride and Top Bright are the same, the Subscriber, Top Bright, Top Pride and their respective ultimate beneficial owners are independent from each others.

Number of Subscription Shares

The Subscription Shares represent approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.293 per Subscription Share represents:

- (i) a discount of approximately 19.7% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on 29 July 2008, being the date of the Subscription Agreement and the date on which the terms of the Subscription were fixed;
- (ii) a discount of approximately 9.57% to the average closing price of approximately HK\$0.324 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the Subscription Agreement;
- (iii) a discount of approximately 0.17% to the average closing price of approximately HK\$0.2935 per Share for the last ten consecutive trading days immediately prior to date of the Subscription Agreement; and
- (iv) the same as the average closing price of approximately HK\$0.293 per Share for the last fifteen consecutive trading days immediately prior to date of the Subscription Agreement.

The net Subscription Price, after deduction of relevant expenses, is approximately HK\$0.291 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to (i) the recent trading performance of the Shares; (ii) the current flagging situation in the toy industry; (iii) downturn of the Hong Kong stock market; (iv) the Subscription of new shares can provide more working capital for the Group's operation pending the quantification of the financial effect of the flooding incident in Zhangmutou to the productivity and inventory written

off of the Group. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Rights

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 92,096,000 Shares. As at the date of this announcement, no portion of the General Mandate was utilised. The Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the issue and allotment of the Subscription Shares. The Company has not repurchased any Shares within the last 30 days prior to the date of this announcement.

Conditions of the Subscription

The Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (ii) if necessary, the Cayman Islands Monetary Authority granting consent to the allotment and issue of the Subscription Shares; and
- (iii) all necessary consents and approvals required to be obtained by the Subscriber in respect of the Agreement and the transactions contemplated hereby, including but not limited to the Subscription, having been obtained.

In the event that the conditions of the Subscription are not fulfilled on or before 20 August 2008 or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

Completion of the Subscription

Completion of the Subscription will take place at 4:00 p.m. on the third Business Days after the conditions of the Subscription are fulfilled (or such other date as may be agreed between the parties to the Subscription Agreement). Completion of the Subscription is not inter-conditional with the completion of the Disposal Agreement and Acquisition Agreement.

Pursuant to the Subscription Agreement, there is no restriction of disposal of the Subscription Shares.

Application for listing

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

REASONS FOR THE SUBSCRIPTION AGREEMENT

The Group is principally engaged in manufacturing and trading of toys and recreational products on an OEM basis. The Group will continue to carry on its existing business after Completion.

By entering into the Subscription Agreement, the Group can raise capital to further strengthen its financial position.

The gross proceeds of the Subscription is approximately HK\$26,984,128. The net proceeds of the Subscription of approximately HK\$26.8 million will be applied towards the general working capital of the Group.

The Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors also consider that the Subscription will strengthen the financial position (in particular, the working capital and cash flow position) of the Group.

CHANGES OF SHAREHOLDING STRUCTURE

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

Shareholders	As at the date of this announcement and immediately before completion of the Disposal, Acquisition and Subscription		Immediately after completion of the Disposal, Acquisition and Subscription	
	No of Shares	Approximate %	No of Shares	Approximate %
Smart Place Investments Limited and its associates	182,142,000	39.55%	182,142,000	32.96%
Tang Xue Jin	118,000,000	25.62%	118,000,000	21.35%
The Subscriber and its associates	–	–	92,096,000	16.67%
Other public Shareholders	160,348,000	34.83%	160,348,000	29.02%
Total	<u>460,490,000</u>	<u>100.00%</u>	<u>552,586,000</u>	<u>100.00%</u>

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

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
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	Approximately HK\$5.4 million has been used for payment of production facilities Approximately HK\$12.5 million has been used for the payment of staff and worker salaries Approximately HK\$12.5 million has been used for the payment of materials and subcontracting expenses Approximately HK\$11.4 million for the repayment of revolving bank facilities borrowing
18 July 2007	Placing of new shares	About HK\$115 million	For 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	Net proceeds has been used for the consideration of the acquisition of silver mine

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.

(3) PROFIT WARNING

The Board would like to inform the Shareholders and potential investors of the Group's interim results may be adversely affected by, among others, decrease in production and inventory written off of one of the two factories located in Zhangmutou, Dongguan due to the flooding incident in Zhangmutou in late June. The Company is now negotiating with insurance company to quantify the insurance claim amount.

The information contained in this announcement is only a preliminary estimate by the Board based on the information on hands. The Board is not in a position to quantify the financial impact on the Group at this stage. Further details of the Group's performance will be disclosed when the interim results for the half year ended 30 June 2008 are announced which is expected to be in September 2008.

Potential investors and Shareholders should exercise caution when dealing in the Shares.

(4) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 30 July 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 4 August 2008.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Accounts Date”	30 June 2008, the date of the pro forma management accounts of the Goldbush
“Acquisition”	acquisition of the Goldbush Share Goldbush Loan pursuant to the Acquisition Agreement
“Acquisition Agreement”	the Acquisition Agreement entered into between Top Pride, as vendor and SU Investments, a wholly own subsidiary of the Company, as purchaser regarding the sale and purchase of the Goldbush Share and Goldbush Loan
“acting in concert”	has the meaning ascribed to this term under the Hong Kong Code on Takeovers and Mergers
“associates”	has the meaning ascribed to this term under the Listing Rules
“Business Day”	a day (other than a Saturday) on which licensed banks are 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

“Completion”	completion of the sale and purchase of the PRC Property in accordance with the Disposal Agreement or the completion of the sale and purchase of the Goldbush Share and Goldbush Loan in accordance with the Acquisition Agreement or completion of the Subscription Agreement, as the case may be
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal by SU Qingyuan of the PRC Property subject to and upon the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 29 July 2008 entered into between SU Qingyuan and Top Bright in relation to the Disposal
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with Shares at the annual general meeting of the Company held on 22 May 2008
“Goldbush”	Goldbush Design Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Top Pride
“Goldbush Loan”	all obligations, liabilities and debts owing or incurred by Goldbush to Top Pride on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion which as at 30 June 2008 amount to HK\$7,142,059.21
“Goldbush Share”	one share of US\$1.00 each in the issued share capital of Goldbush, representing the entire issued share capital of Goldbush
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Patents”	the patents in respect of (a) interactive toy play set with sensor of Patent No. US6,719,603B2; (b) interactive toy play set of Patent No. US6,641,455B2, legally and beneficially owned by Goldbush pursuant to the Patent Assignments dated 18 July 2008, assigned from (i) the ultimate beneficial owner of Top Pride and Top Bright whom being the inventor of the patents to Goldbush, and (ii) Thinking Technology to Goldbush respectively

“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Property”	a parcel of land with the site area of approximately 100,000.1m ² , various buildings and structures (including but not limited to the factory complex, staff quarter, three warehouses, canteen and working area) located at Sijiu Jianga Village, Tangtang Town, Fogang County, Qing Yuan city, Guangdong Province, the PRC with total building area of not less than 51,715m ²
“Thinking Technology”	Thinking Technology, Inc. a company registered in accordance with the Laws of the Bahamas whose registered office is situate at Bolam House, King and George Streets, P.O. Box CB 11.343, Nassau, Bahamas
“Top Bright”	Top Bright Investments Limited, a company incorporated in Hong Kong, the purchaser of the Disposal Agreement, the entire issued share capital of which is owned by an Independent Third Party
“Top Pride”	Top Pride Limited, a company incorporated in the British Virgin Islands, the vendor to the Acquisition Agreement, the entire issued share capital of which is owned by an Independent Third Party
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SU China”	Smart Union China Investments Limited, a wholly-owned subsidiary of the Company and one of the guarantors of the Disposal Agreement
“SU Investments”	Smart Union Investments Limited, a wholly-owned subsidiary of the Company and the purchaser of the Acquisition Agreement
“SU Qingyuan”	Smart Union Qingyuan Industrial Limited, a wholly-foreign own enterprise, a wholly-owned subsidiary of SU China, the vendor of the Disposal Agreement
“Subscriber”	Sky Metro Limited, a company incorporated in the British Virgin Islands with limited liability and is the subscriber of the Subscription Agreement, its entire issued share capital is owned by Ms. Cheng Su Chen, a merchant
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Price”	the subscription price of HK\$0.293 per Subscription Shares

“Subscription Shares”	an aggregate of 92,096,000 Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“m ² ”	square metre
“%”	per cent.

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

Hong Kong, 1 August 2008

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.