

The logo for Smart Union, featuring the words "Smart Union" in a white, italicized serif font on a dark grey rectangular background with a black horizontal bar below it.

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

2009

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Corporate Information

DIRECTORS

Executive Directors:

Mr. Wu Kam Bun (*Chairman*)
Mr. Ho Wai Wah
Mr. Wong Wai Chuen
Mr. Lai Chiu Tai (passed away on
1st November 2009)

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG (Provisional Liquidators' address)

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

Corporate Information

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)
(currently suspended from trading)

WEBSITE

www.smartunion.com.hk

Management Discussion and Analysis

BUSINESS REVIEW

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

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

The provisional liquidators of the Company (the “Provisional Liquidators”) have secured an investor and are now implementing restructuring plans for the Company to revitalise 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. Ting Wai-min, the Company and the Provisional Liquidators to grant the Investor exclusivity to (i) prepare a resumption proposal, and (ii) negotiate in good faith and enter into a legally binding agreement for the implementation of the restructuring proposal in connection with the restructuring of the Company (the “Proposed Restructuring”).

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

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

Management Discussion and Analysis

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

On 1st September 2009, the Company submitted a resumption proposal to the Stock Exchange which embraces the Proposed Restructuring and contemplates, among other things, the followings:

- (a) a restructuring of the share capital of the Company (the “Capital Restructuring”) that involves, inter alia, reduction of the nominal value of the existing shares of the Company from HK\$0.10 to HK\$0.01 (the “Capital Reduction”), cancellation of existing un-issued share capital of the Company after the Capital Reduction, and increase in the authorised share capital of the Company;
- (b) proposed subscription of new ordinary shares of the Company (the “Subscription Shares”) with a par value of HK\$0.01 each (“New Shares”) to be issued by the Company following the Capital Restructuring by the Investor for a sum of HK\$170 million; and
- (c) all the creditors of the Company (the “Creditors”) will be compromised and discharged by the arrangements contemplated under the scheme of arrangement to be made between the Company and its creditors pursuant to section 166 of the Hong Kong Companies Ordinance for a cash payment of up to HK\$50 million, together with New Shares for the Creditors (the “Creditors Shares”) representing approximately 5% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Creditors Shares to be issued and allotted as fully paid to the Creditors.

The directors of the Company (the “Directors”) unanimously support the Proposed Restructuring.

Management Discussion and Analysis

RESULTS

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

The consolidated loss attributable to shareholders of the Company amounted to approximately HK\$10 million (30th June 2008: loss of HK\$200 million) for the six months ended 30th June 2009.

PROSPECTS

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash as at 30th June 2009 was approximately HK\$7 million (31st December 2008: HK\$5 million). As at 30th June 2009, the total amount of banking facilities outstanding was approximately HK\$161 million (31st December 2008: HK\$156 million), which are currently in default and the Group is currently undergoing restructuring. 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 a negative shareholders' funds (31st December 2008: Nil) and the Group is currently undergoing restructuring.

Management Discussion and Analysis

CONTINGENT LIABILITIES

Details of contingent liabilities 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 2009, the Group had total assets of approximately HK\$17 million (31st December 2008: HK\$11 million), total liabilities of approximately HK\$343 million (31st December 2008: HK\$326 million). The net liabilities of the Group as at 30th June 2009 were approximately HK\$326 million (31st December 2008: HK\$316 million).

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk, most of the Group's assets and liabilities, revenue and expenditure are denominated in Renminbi, US dollar and HK dollar. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities.

EMPLOYEES

As at 30th June 2009, the Group had no (31st December 2008: Nil) full-time employees based in Hong Kong and the PRC.

INTERIM DIVIDEND

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

DIRECTORS

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

Executive Directors:

Mr. Wu Kam Bun

Mr. Lai Chiu Tai (passed away on 1st November 2009)

Mr. Ho Wai Wah

Mr. Wong Wai Chuen

Management Discussion and Analysis

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

As at 30th June 2009, the interests of the directors, the chief executives and their associates, in the shares, underlying shares and debentures of the Company or any of 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	1	Interest of controlled corporations	179,328,000	32.45%
	2	Beneficial owner	300,000	0.05%
			<hr/> 179,628,000	<hr/> 32.50%
Lai Chiu Tai	1	Interest of controlled corporations	179,328,000	32.45%
	3	Beneficial owner	300,000	0.05%
			<hr/> 179,628,000	<hr/> 32.50%

Management Discussion and Analysis

Notes:

1. The 179,328,000 shares of the Company 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 Kam Bun, 38.5% by Mr. Lai Chiu Tai, 10% by Mr. Ho Wai Wah, 10% by Mr. Lo Kwok Choi, and 3% by Mr. Wong Wai Chuen, all being executive Directors. Mr. Wu and Mr. Lai are deemed to be interested in the 179,328,000 shares held by Smart Place Investments Limited by virtue of the SFO. Mr. Lai passed away on 1st November 2009.
2. The interests represent 300,000 shares to be allotted and issued upon the exercise of the share options granted to Mr. Wu Kam Bun under the share option scheme of the Company.
3. The interests represent 300,000 shares to be allotted and issued upon the exercise of the share options granted to Mr. Lai Chiu Tai under the share option scheme of the Company. Mr. Lai passed away on 1st November 2009.

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		Price of grant HK\$	Subscription price per share HK\$
		in the option	Exercise period		
Wu Kam Bun	Beneficial owner	300,000	14.5.2008 to 26.4.2017	1.00	0.78
Lai Chiu Tai (Note)	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	14.5.2008 to 26.4.2017	1.00	0.78

Note: Mr. Lai passed away on 1st November 2009.

Management Discussion and Analysis

Save as disclosed above, none of the Company's 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 2009.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 30th June 2009, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO 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
Ip Chor Wan (<i>Note 1</i>)	Interest of spouse	179,628,000	32.50%
Chan Wai Ling (<i>Note 2</i>)	Interest of spouse	179,628,000	32.50%
Smart Place Investments Limited	Beneficial owner	179,328,000	32.45%
Tang Xue Jin (<i>Note 3</i>)	Beneficial owner	118,000,000	21.35%
Cheng Su Chen (<i>Note 4</i>)	Interest of corporation controlled	92,096,000	16.67%
Sky Metro Limited (<i>Note 4</i>)	Beneficial owner	92,096,000	16.67%

Management Discussion and Analysis

Notes:

1. Ms. Ip Chor Wan is the wife of Mr. Wu Kam Bun. She is deemed to be interested in all the shares in which Mr. Wu Kam Bun is interested by virtue of the SFO.
2. Ms. Chan Wai Ling is the wife of Mr. Lai Chiu Tai. She is deemed to be interested in all the shares in which Mr. Lai Chiu Tai is interested by virtue of the SFO.
3. On 14th January 2008, 118,000,000 new shares (the "Consideration Shares") were allotted to Mr. Tang Xue Jin, 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 its undertakings pursuant to the agreement of this acquisition by the vendor, the certificates of the Consideration Shares will not be released to Mr. Tang and he will not entitle to the Consideration Shares.
4. 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.

Save as disclosed above, as at 30th June 2009, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Management Discussion and Analysis

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 2009	Granted during the six months ended 30th June 2009	Exercised/ lapsed during the six months ended 30th June 2009	As at 30th June 2009
Wu Kam Bun	0.78	14.5.2008 to 26.4.2017	300,000	-	-	300,000
Lai Chiu Tai (Note)	0.78	14.5.2008 to 26.4.2017	300,000	-	-	300,000
Ho Wai Wan	0.78	14.5.2008 to 26.4.2017	500,000	-	-	500,000
Wong Wai Chuen	0.78	14.5.2008 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
			6,060,000	-	-	6,060,000

Note: Mr. Lai passed away on 1st November 2009.

Management Discussion and Analysis

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

To the best knowledge of the board of Directors (the “Board”), neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30th June 2009.

REVIEW OF INTERIM RESULTS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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.

Management Discussion and Analysis

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 2009 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

Hong Kong, 13th January 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2009

	Notes	Six months ended 30th June 2009 HK\$'000 (Unaudited)	Six months ended 30th June 2008 HK\$'000 (Unaudited)
Sales	4	9,240	386,809
Cost of sales	6	(8,694)	(525,936)
Gross profit		546	(139,127)
Other income and other gains/(losses), net	7	400	2,863
Administrative expenses	6	(5,685)	(55,551)
Selling expenses	6	(409)	–
Operating loss		(5,148)	(191,815)
Finance costs	8	(5,046)	(8,694)
Share of loss of associate		–	(479)
Loss before tax		(10,194)	(200,988)
Income tax credit	9	–	427
Total comprehensive loss for the period		(10,194)	(200,561)
Attributable to:			
Equity holders of the Company		(10,194)	(200,133)
Minority interest		–	(428)
		(10,194)	(200,561)
Loss per share for loss attributable to the equity holders of the Company during the period (HK\$ per share)			
– basic (HK\$)	11	0.02	0.44
– diluted (HK\$)	11	0.02	0.44
Dividend	10	–	–

Condensed Consolidated Statement of Financial Position

As at 30th June 2009

	<i>Notes</i>	30th June 2009 HK\$'000 (Unaudited)	31st December 2008 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		40	158
Land use rights		-	-
Intangible assets		-	-
Investments in unconsolidated subsidiaries		-	-
Investment in a former subsidiary		-	-
Investment in an associated company		-	-
Available-for-sale financial assets		-	-
Prepayments, deposits and other receivables		-	-
Deferred income tax assets		-	-
		40	158
Current assets			
Inventories		-	-
Trade receivables	12	8,842	3,786
Amount due from unconsolidated subsidiaries		-	-
Amount due from a former subsidiary		-	-
Prepayments, deposits and other receivables		936	976
Derivative financial instruments		-	-
Convertible bonds		-	-
Current income tax recoverable		706	706
Pledged bank deposits		-	-
Cash and cash equivalents	13	6,706	5,124
		17,190	10,592

Condensed Consolidated Statement of Financial Position

As at 30th June 2009

	Notes	30th June 2009 HK\$'000 (Unaudited)	31st December 2008 HK\$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	14	192,703	175,663
Amounts due to unconsolidated subsidiaries		112,362	112,362
Borrowings	15	37,937	38,303
Derivative financial instruments		–	–
Deferred tax liabilities		16	16
		343,018	326,344
Net current liabilities		(325,828)	(315,752)
NET LIABILITIES		(325,788)	(315,594)
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		30,553	30,553
Accumulated losses		(779,981)	(769,787)
		(325,788)	(315,594)
Minority interest		–	–
		(325,788)	(315,594)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2009

	Attributable to the equity holders of the Company						
	Share capital	Share premium	Other reserves	Retained earnings/ (accumulated losses)	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2008	34,248	177,137	29,293	76,112	316,790	1,370	318,160
Revaluation of available-for-sale financial assets	-	-	(166)	-	(166)	-	(166)
Currency translation differences	-	-	(65)	-	(65)	-	(65)
Loss for the period	-	-	-	(200,133)	(200,133)	(428)	(200,561)
Total recognised loss for period	-	-	(101)	(200,133)	(200,234)	(428)	(200,662)
Issue of shares upon acquisition of an associated company	11,800	173,460	-	-	185,260	-	185,260
Share-based compensation	-	-	815	-	815	-	815
Issue of shares upon exercise of share options	1	10	(3)	-	8	-	8
	11,801	173,470	812	-	186,083	-	186,083
Balance at 30th June 2008	46,049	350,607	30,004	(124,021)	302,639	942	303,581

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2009

	Attributable to the equity holders of the Company						Total equity
	Share capital	Share premium	Other reserves	Retained earnings/ (accumulated losses)	Total	Minority interest	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2009	55,259	368,381	30,553	(769,787)	(315,594)	-	(315,594)
Loss for the year	-	-	-	(10,194)	(10,194)	-	(10,194)
Total recognised income for 2009	-	-	-	(10,194)	(10,194)	-	(10,194)
Balance at 30th June 2009	55,259	368,381	30,553	(779,981)	(325,788)	-	(325,788)

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2009

	Notes	Six months ended 30th June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities		(1,779)	2,298
Net cash used in investing activities		(5)	(21,053)
Net cash generated from/(used in) financing activities		3,750	(66,459)
Net increase/(decrease) in cash and cash equivalents		1,966	(85,214)
Cash and cash equivalents at the beginning of the period		4,356	93,753
Exchange (loss) /gain on cash and cash equivalents		(18)	167
Cash and cash equivalents at the end of the period		6,304	8,706
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	13	6,706	13,207
Bank overdrafts	13	(402)	(4,501)
		6,304	8,706

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

1. GENERAL INFORMATION

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

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

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

The condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Directors on 13th January 2010.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

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

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

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

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

Pursuant to the orders of High Court dated 5th January 2009, the hearings of the winding-up petitions against the Company and the relevant subsidiaries were adjourned to 6th April 2009. The High Court then further adjourned the hearings of the winding-up petitions to 1st June 2009 pursuant to the hearings on 6th April 2009. At the hearings on 1st June 2009, the High Court further adjourned the hearings of the winding-up petitions of the Company and the relevant subsidiaries to 30th November 2009. At the hearing on 30th November 2009, the High Court further adjourned the hearings of the winding-up petitions of the Company and the relevant subsidiaries to 31st May 2010 to allow time for the implementation of the proposed restructuring of the Group.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

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

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

- (a) a restructuring of the share capital of the Company (the “Capital Restructuring”) that involves, inter alia, reduction of the nominal value of the existing shares of the Company from HK\$0.10 to HK\$0.01 (the “Capital Reduction”), cancellation of existing un-issued share capital of the Company after the Capital Reduction, and increase in the authorised share capital of the Company;
- (b) proposed subscription of new ordinary shares of the Company (the “Subscription Shares”) with a par value of HK\$0.01 each (“New Shares”) to be issued by the Company following the Capital Restructuring by the Investor for a sum of HK\$170 million; and
- (c) all the creditors of the Company (the “Creditors”) will be compromised and discharged by the arrangements contemplated under the scheme of arrangement to be made between the Company and its creditors pursuant to section 166 of the Hong Kong Companies Ordinance for a cash payment of up to HK\$50 million, together with New Shares for the Creditors (the “Creditors Shares”) representing approximately 5% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Creditors Shares to be issued and allotted as fully paid to the Creditors.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information are set out below.

3.1 Basis of preparation

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

The Group sustained a loss attributable to equity holders of the Company of approximately HK\$10,194,000 for the six months ended 30th June 2009. As at 30th June 2009, the Group had net current liabilities of approximately HK\$325,828,000 and net liabilities of approximately HK\$325,788,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and the condensed consolidated interim financial information has been prepared on a going concern basis, the reason for which has been disclosed in Note 2 above.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

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 October 2008. As such, the results, assets and liabilities of SU Industrial and its subsidiary, Perfect Design and Product Development Limited, have not been included into the condensed consolidated interim financial information of the Group for the six months ended 30th June 2009.

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries not consolidated (Continued)

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

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 2008, except as mentioned below.

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

3.3 Accounting policies *(Continued)*

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

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

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

- Amendment to HKFRS 7 “Financial instruments: disclosures”. The amendments increase the disclosure about liquidity risk. The amendments introduce a three-level hierarchy for fair value measurement disclosures about financial instruments and require some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy.

These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. They also require a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31st December 2009.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Accounting policies (Continued)

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

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*

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

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

¹ Effective for the Group for annual period beginning 1st January 2010

² Effective for transfer of assets received on or after 1st July 2009

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

4. TURNOVER

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

5. SEGMENT INFORMATION

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

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

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

All of the Group's assets and liabilities are located or utilised in Hong Kong as at 30th June 2009 and 31st December 2008. The Group's capital expenditure of approximately HK\$14,000 are mainly utilised in Hong Kong (30th June 2008: HK\$2,115,000 utilised in Hong Kong and HK\$275,624,000 utilised in PRC).

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

6. OPERATING LOSS

Operating loss is stated after charging the following during the period

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

8. FINANCE COSTS

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

9. INCOME TAX CREDIT

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

10. DIVIDEND

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

11. LOSSES PER SHARE

Basic

The calculation of basic losses per share is based on the consolidated loss attributable to equity holders of the Company of approximately HK\$10,194,000 (30th June 2008: loss of HK\$200,133,000) and on the weighted average number of 552,586,000 (30th June 2008: 452,053,000) ordinary shares in issue during the period.

	Six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (HK\$'000)	10,194	200,133
Weighted average number of ordinary shares in issue (thousands)	552,586	452,053
Basic loss per share (HK\$) per share	0.02	0.44

Diluted

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

12. TRADE RECEIVABLES

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

13. CASH AND CASH EQUIVALENTS

	30th June 2009 HK\$'000 (Unaudited)	31st December 2008 HK\$'000 (Audited)
Cash at bank and on hand	6,706	5,124
Maximum exposure to credit risk	6,706	5,124

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

	30th June 2009 HK\$'000 (Unaudited)	31st December 2008 HK\$'000 (Audited)
Bank balance and cash	6,706	5,124
Less: bank overdrafts	(402)	(768)
Cash and cash equivalents	6,304	4,356

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

14. TRADE AND OTHER PAYABLES

	30th June 2009 HK\$'000 (Unaudited)	31st December 2008 HK\$'000 (Audited)
Trade payables	10,299	5,487
Other payables and accruals	182,404	170,176
	192,703	175,663

Pursuant to the Exclusivity Agreement, the Investor paid a sum of HK\$3.75 million to the Company as initial fee contribution towards partial settlement of the cost and expenses in relation to the restructuring of the Company. Out of the HK\$3.75 million, approximately HK\$2.8 million has been used and the amount of approximately HK\$0.95 million has been recorded as other payable.

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

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

The carrying amounts of trade payables approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

15. BORROWINGS

	30th June 2009 HK\$'000 (Unaudited)	31st December 2008 HK\$'000 (Audited)
Bank overdrafts	402	768
Factoring facilities utilised	1,022	1,022
Other borrowings	36,513	36,513
	37,937	38,303

As at 30th June 2009, other secured borrowings comprised loans from two independent third parties amounting to approximately HK\$36,513,000. An amount of HK\$18,913,000 (31st December 2008: HK\$18,913,000) bears interest at 7% per annum and repayable on demand, whilst the remaining balance of HK\$17,600,000 bears interest at 3% per annum above the Hong Kong Interbank Offer Rate and is repayable on demand.

Other 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 SU Investments; (iii) a charge over the shares in SU China; and (iv) a guarantee from Smart Place Investments Limited, the ultimate holding company of the Group, for the outstanding balance due from the Company to one of these parties of approximately HK\$17,600,000.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

16. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Authorised – ordinary shares of HK\$0.1 each As at 30th June 2009 and 31st December 2008	2,000,000,000	200,000
Issued and fully paid – ordinary shares of HK\$0.1 each		
As at 1st January 2008	342,480,000	34,248
Issue of shares upon exercise of share options	10,000	1
Issue of shares (<i>Note</i>)	210,096,000	21,010
As at 31st December 2008	552,586,000	55,259
As at 1st January 2009 and 30th June 2009	552,586,000	55,259

Note:

On 14th January 2008, 118,000,000 new shares (“Consideration Shares”) were allotted to Mr. Tang Xue Jin as part of the consideration for the acquisition of an associate. Due to the failure in fulfilling its undertakings pursuant to the agreement of this acquisition by the vendor, the certificates of the Consideration Shares will not be released to Mr. Tang and he will not be entitled to the Consideration Shares.

On 29th July 2008, Sky Metro Limited (“SML”) entered into a subscription agreement with the Company. Pursuant to the subscription agreement, SML conditionally agreed to subscribe for an aggregate of 92,096,000 shares at a price of HK\$0.293 per share. The placing of 92,096,000 existing shares by SML was completed on 1st September 2008 and 92,096,000 new shares were issued and allotted to SML on 1st September 2008.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

16. SHARE CAPITAL *(Continued)*

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:

	2009		2008	
	Exercise price per share HK\$	Number of share options	Exercise price per share HK\$	Number of share options
As at 1st January	0.78	6,060,000	0.78	9,780,000
Granted	-	-	-	-
Exercised	-	-	0.78	(10,000)
Lapsed	-	-	0.78	(80,000)
As at 30th June	0.78	6,060,000	0.78	9,690,000

6,060,000 (30th June 2008: 9,690,000) outstanding options as at 30th June 2009 were exercisable. No option has exercised during the six month ended 30th June 2009.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

17. COMMITMENTS

There are neither significant capital commitments nor operating leases committed as at 30th June 2009 and 31st December 2008.

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had the following significant transactions carried out with related parties during the six months ended 30th June 2009.

(a) Key management compensation

	30th June 2009 HK\$'000 (Unaudited)	30th June 2008 HK\$'000 (Unaudited)
Salaries and other short-term employee benefits	–	3,207
Pension costs – defined contribution plans	–	30
Share-based compensation	–	210
	<hr/>	<hr/>
	–	3,447

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

(Continued)

(b) Balances with unconsolidated subsidiaries and a former subsidiary

	30th June 2009 HK\$'000 (Unaudited)	31st December 2008 HK\$'000 (Audited)
Amounts due from unconsolidated subsidiaries		
– SU Industrial	231,937	231,937
– Perfect Design and Product Development Limited	2	2
	231,939	231,939
Less: Impairment losses	(231,939)	(231,939)
	–	–
Amount due from a former subsidiary		
– SU Qingyuan	43,307	43,307
Less: Impairment losses	(43,307)	(43,307)
	–	–
Amounts due to unconsolidated subsidiaries:		
– SU Industrial	(111,051)	(111,051)
– Perfect Design and Product Development Limited	(1,311)	(1,311)
	(112,362)	(112,362)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

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 and SU Qingyuan 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, and SU Qingyuan. As a result, full provisions of HK\$231,939,000 and HK\$43,307,000 have been made in respect of the outstanding balances due from the unconsolidated subsidiaries and a former subsidiary respectively.

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 a loan to Goldbush Design Limited.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

19. CONTINGENT LIABILITIES *(Continued)*

(a) Transaction with Top Bright Investments Limited *(Continued)*

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 directors, based on 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.

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 2009.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30th June 2009

19. CONTINGENT LIABILITIES *(Continued)*

(b) Deeds of novation

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 debtors 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 debtors in respect of the debts of SU Industrial.

The directors, based on legal advice obtained, are of the opinion that the Deeds of Novation are invalid because there was no commercial benefit passing to the Company to assume such debt obligations of SU Industrial, nor to SU China and SU Investments to provide securities in relation to the debts of SU Industrial. 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.