# 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)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30th JUNE 2008

The board of directors (the "Board") of Smart Union Group (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2008 together with comparative figures for the corresponding period in 2007. The results is stated as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June 2008*

| | | Six months ended 30th June | |
|---|---|---|---|
| | | **2008** | 2007 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Sales | *4* | **386,809** | 375,793 |
| Cost of sales | *6* | **(525,936)** | (325,397) |
| **Gross (loss)/profit** | | **(139,127)** | 50,396 |
| Other income and gains/(losses), net | *7* | **2,863** | 586 |
| Administrative expenses | *6* | **(55,551)** | (46,484) |
| **Operating (loss)/profit** | | **(191,815)** | 4,498 |
| Finance costs | *8* | **(8,694)** | (6,956) |
| Share of loss of associate | | **(479)** | – |
| **Loss before tax** | | **(200,988)** | (2,458) |
| Income tax credit/(expense) | *9* | **427** | (345) |
| **Loss for the period** | | **(200,561)** | (2,803) |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(200,133)** | (3,157) |
| Minority interest | | **(428)** | 354 |
| | | **(200,561)** | (2,803) |
| **Loss per share for loss attributable to the equity holders of the Company during the period (HK$ per share)** | | | |
| – basic | *11* | **(0.44)** | (0.01) |
| – diluted | *11* | **N/A** | N/A |
| **Dividend** | *10* | **–** | – |

## CONDENSED CONSOLIDATED BALANCE SHEET

*At 30th June 2008*

| | Notes | 30th June 2008 HK$'000 (Unaudited) | 31st December 2007 HK$'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **80,084** | 66,408 |
| Land use rights | | **4,867** | 4,849 |
| Intangible assets | | **4,673** | 2,967 |
| Interest in an associate | | **257,076** | – |
| Available-for-sale financial assets | | **5,179** | 2,342 |
| Prepayments, deposits and other receivables | | **2,877** | 11,261 |
| Deferred income tax assets | | **749** | 749 |
| | | **355,505** | 88,576 |
| **Current assets** | | | |
| Inventories | | **301,649** | 379,440 |
| Trade receivables | *12* | **103,215** | 165,438 |
| Prepayments, deposits and other receivables | | **12,888** | 19,022 |
| Derivative financial instruments | | **–** | 213 |
| Convertible bonds | | **43,706** | 40,000 |
| Current income tax recoverable | | **2,551** | 1,046 |
| Pledged bank deposits | | **3,169** | 5,234 |
| Bank balances and cash | | **13,207** | 101,584 |
| | | **480,385** | 711,977 |
| **Total assets** | | **835,890** | 800,553 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **46,049** | 34,248 |
| Share premium | | **350,607** | 177,137 |
| Other reserves | | **30,004** | 29,293 |
| (Accumulated deficit)/retained earnings | | **(124,021)** | 76,112 |
| | | **302,639** | 316,790 |
| **Minority interest** | | **942** | 1,370 |
| **Total equity** | | **303,581** | 318,160 |

| | Notes | 30th June 2008 HK$'000 (Unaudited) | 31st December 2007 HK$'000 (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **1,020** | 201 |
| Provision for long service payment | | **1,135** | 1,104 |
| | | **2,155** | 1,305 |
| **Current liabilities** | | | |
| Trade payables | *13* | **218,252** | 195,631 |
| Other payables and accruals | | **76,254** | 43,333 |
| Borrowings | | **233,447** | 239,768 |
| Derivative financial instruments | | **2,201** | 2,356 |
| | | **530,154** | 481,088 |
| **Total liabilities** | | **532,309** | 482,393 |
| **Total equity and liabilities** | | **835,890** | 800,553 |
| **Net current (liabilities)/assets** | | **(49,769)** | 230,889 |
| **Total assets less current liabilities** | | **305,736** | 319,465 |

*Notes:*

1. **GENERAL INFORMATION**

Smart Union Group (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 8th March 2006 as an exempt 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 have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("HKSE") since 29th September 2006.

This condensed interim consolidated financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated financial information has been approved by the Board of Directors on 24th September 2008.

2. **BASIS OF PREPARATION**

This condensed interim consolidated financial information for the period ended 30th June 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and should be read in conjunction with the audited financial statements for the year ended 31st December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

In preparing this condensed consolidated interim financial information, the Directors have taken into account all information presently available and expect that the Group will be able to obtain adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the Directors consider that it is proper to prepare this condensed consolidated interim financial information on a going concern basis on the basis that continue support from our existing banks can be maintained notwithstanding that at 30th June 2008, the Group's current liabilities exceeded its current assets by approximately HK$49,769,000.

## 3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31st December 2007, except that the following new interpretations are mandatory for the financial year beginning 1st January 2008:

| | |
|---|---|
| HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions |
| HK(IFRIC) – Int 12 | Service Concession Arrangements |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction |

The adoption of the above interpretations did not result in any significant impact to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2008 and have not been early adopted.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 32 and HKAS 1 (Amendment) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| HKFRS 2 (Amendment) | Share-based Payment |
| HKFRS 3 (Revised) | Business Combinations |
| HKFRS 8 | Operating Segments |
| 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 |

The effect that the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) 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 new standards, amendments to standards and interpretations in future periods will have no significant financial impact to the Group.

## 4. TURNOVER

| | Six months ended 30th June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Sales of goods | **386,809** | 375,793 |

## 5. SEGMENT INFORMATION

**Primary reporting format – business segments**

The products and services provided by the Group are substantially all related to the manufacturing and trading of recreational and educational toys and equipment and subject to similar business risk. No business segment information has been prepared by the Group for the period ended 30th June 2008.

**Secondary reporting format – geographical segments**

The Group primarily operates in Hong Kong and the People's Republic of China (the "PRC"). Sales are mainly made to customers in America and Europe.

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

| | **Six months ended 30th June** | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| America | **284,825** | 276,570 |
| Europe | **49,103** | 72,852 |
| Others | **52,881** | 26,371 |
| | **386,809** | 375,793 |

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

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

| | **30th June** | 31st December |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Hong Kong | **181,237** | 264,356 |
| The PRC | **654,653** | 536,197 |
| | **835,890** | 800,553 |

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

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

| | **Six months ended 30th June** | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Hong Kong | **2,115** | 4,499 |
| The PRC | **275,624** | 17,241 |
| | **277,739** | 21,740 |

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

## 6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging the following during the period.

| | Six months ended 30th June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories *(Note c)* | **394,498** | 321,299 |
| Depreciation of property, plant and equipment | **4,955** | 4,219 |
| Amortisation of land use rights | **33** | 48 |
| Amortisation of intangible assets | **365** | 346 |
| Write-off of obsolete inventories *(Note a)* | **45,381** | – |
| Write-off of damaged inventories on flood *(Note b)* | **67,512** | – |

*Note (a)* The Company is going through consolidation of our customer base by focusing our resources, growth and business onto two categories of customers: core customers base and strategic customer base. The Company has taken appropriate steps to evaluate the type of inventory and rationalize its inventory level so as to meet with the Company's strategy of moving to develop more licensed and new products. Also, during the six months ended 30th June 2008, the planning and production process were not operated smoothly and some of the inventories made were scrapped due to the quality do not meet customers' requirement, hence scrap material level increased during the period. Obsolete inventories were hence written off.

*Note (b)* In June 2008, a production plant in Zhangmutau suffered damages on its inventory due to a flooding incident. It caused scrap of damaged inventory material.

*Note (c)* The cost of manufacturing has continued increasing through out the last six months. The margin on some of the spring items are lowered as the cost on plastic material increased by 20%, the minimum wage increased by 12% and the Renminbi inflated by 7%. The Company continued its strategy of reducing seasonality on capacity utilization and engaged a larger business commitment in these first two quarters of 2008. Also throughout the second quarter of 2008, a lot of resources on material and manpower are used for the development, debugging, testing and preparation relating to the supply of products of a large movie license products. Despite various efforts were put in cost saving and price negotiations with the customers, the Group was still suffered from a gross loss of approximately HK$26.2 million (six months ended 30th June 2007: gross profit HK$50.4 million) excluding the written off of obsolete inventories and damaged inventories.

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

| | Six months ended 30th June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Sales of scrap materials | **1,532** | 2,570 |
| Unrealised loss on derivative financial instruments | **(58)** | (3,225) |
| Realised (loss)/gain on derivative financial instruments | **(2,501)** | 710 |
| Fair value gain on convertible bonds | **3,706** | – |
| Interest income | **61** | 333 |
| Other handling income | **123** | 198 |
| | **2,863** | 586 |

## 8. FINANCE COSTS

| | Six months ended 30th June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest expense | | |
| – Bank borrowings and overdrafts | **7,024** | 4,795 |
| – Factoring facilities | **1,620** | 2,107 |
| – Finance lease liabilities | **50** | 54 |
| | **8,694** | 6,956 |

## 9. INCOME TAX (CREDIT)/EXPENSE

| | Six months ended 30th June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current taxation | | |
| – Hong Kong profits tax | **–** | 23 |
| – PRC enterprise income tax | **–** | 277 |
| – (Over)/under provision in prior years | **(427)** | 45 |
| | **(427)** | 345 |

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit during the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

## 10. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2008 (2007: Nil).

## 11. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 30th June | |
|---|---|---|
| | **2008** | 2007 |
| | **(Unaudited)** | (Unaudited) |
| Loss attributable to equity holder of the Company (HK$'000) | **200,133** | 3,157 |
| Weighted average number of ordinary shares in issue (Shares in thousands) | **452,053** | 241,083 |
| Basic loss per share (HK$ per share) | **0.44** | 0.01 |

Diluted loss per share for the six months ended 30th June 2008 and 30th June 2007 has not been disclosed as the share options outstanding during these periods had anti-dilutive effects on the basic loss per share for these periods.

## 12. TRADE RECEIVABLES

| | 30th June 2008 HK$'000 (Unaudited) | 31st December 2007 HK$'000 (Audited) |
|---|---|---|
| Trade receivables | **104,222** | 166,445 |
| Less: provision for impairment of receivables | **(1,007)** | (1,007) |
| | **103,215** | 165,438 |

The Group's trade receivables from its customers are generally with credit periods of less than 75 days.

The carrying amounts of trade receivables approximate their fair values due to the short-term maturity.

The aging analysis of trade receivables as at 30th June 2008 and 31st December 2007 are as follows:

| | 30th June 2008 HK$'000 (Unaudited) | 31st December 2007 HK$'000 (Audited) |
|---|---|---|
| 0 – 30 days | **78,254** | 112,063 |
| 31 – 60 days | **9,841** | 19,890 |
| 61 – 90 days | **1,573** | 15,201 |
| 91 days – 1 year | **11,204** | 17,226 |
| 1 – 2 years | **3,350** | 2,065 |
| | **104,222** | 166,445 |

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.

## 13. TRADE PAYABLES

The ageing analysis of trade payables as at 30th June 2008 and 31st December 2007 are as follows:

| | 30th June 2008 HK$'000 (Unaudited) | 31st December 2007 HK$'000 (Audited) |
|---|---|---|
| 0 – 30 days | **114,933** | 79,381 |
| 31 – 60 days | **28,300** | 39,323 |
| 61 – 90 days | **22,250** | 40,624 |
| 91 days – 1 year | **51,200** | 28,420 |
| 1 – 2 years | **1,563** | 4,186 |
| Over 2 years | **6** | 3,697 |
| | **218,252** | 195,631 |

The carrying amounts of trade payables approximate their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and business review

The sales on the first six months in 2008 has a slight growth of approximately 2.9%, approximately HK$387 million for the six months ended 30th June 2008 compared to HK$376 million for the six months ended 30th June 2007. The Company suffered a loss before tax of approximately HK$201 million for the six months ended 30th June 2008 (30th June 2007: approximately HK$2.5 million) after taking account of the problems that the Company encountered in these six months.

In June 2008, our plant in Zhangmutau suffered damages on its inventory due to a flooding incident. It caused scrap of inventory material, interruption of our business and we spent almost one month to resume our normal production. This flooding incident also interrupted the stability of our material supply, cash flow planning and hence, efficiency of our operations. For the period ended 30th June 2008, inventories damaged due to flooding incident amounted to approximately HK$67.5 million (2007: Nil).

The Company is going through consolidation of its customer base by putting its focus of resources, growth and business on two categories of customers: core customers base and strategic customer base. The Company has taken appropriate steps to evaluate the type of inventory and rationalize its inventory level so as to meet with the Company's strategy of moving to develop more licensed and new products. Also, during the six months ended 30th June 2008, the planning and production process were not operated smoothly and some of the inventories made were scrapped due to the quality do not meet customers' requirement, hence scrap material level increased during the period. For the period ended 30th June 2008, obsolete inventories written off amounted to approximately HK$45.3 million (2007: Nil).

The cost of manufacturing has continued increasing through out the last six months. The margin on some of the spring items are lowered as the cost on plastic material increased by 20% , the minimum wage increased by 12% and the Renminbi inflated by 7%. The Company continued its strategy of reducing seasonality on capacity utilization, and engaged a larger business commitment in first two quarters of 2008. Also throughout the second quarter of 2008, a lot of resources on material and manpower are used for the development, debugging, testing and preparation relating to the supply of products of a large movie license products. Despite various efforts were put in cost saving and price negotiations with the customers, the Group was still suffered from a gross loss of approximately HK$26.2 million (six month ended 30th June 2007: gross profit HK$50.4 million) excluding the abovementioned written off of obsolete inventories and damaged inventories.

### Prospect

The cost of material and labour are getting more stable. Most of the new prices for the new products to the customers have been reflected and accepted in the second half of the year. As many manufacturers in Pearl River Delta have moved out or closed down, production capacity in China was hence reduced and it enables the manufacturers to be in an improved balanced position on the demand and supply pendulum with the OEM customers.

However the financial crisis in the United States of America will weaken consumer spending and the climate of the market environment will still be uncertain. The tight money market will cause bigger strain to the industries.

The Group believes the continuous growth of it relies on cost efficiency control and increase utilisation of the labour force in its Qing Yuan plant. Additional working capital is required to be committed to improve the Group's balance sheet and invite the support from the Group's business parties.

## LIQUIDITY, FINANCIAL RESOURCES

As at 30th June 2008, the Group had bank balances and cash of approximately HK$13.2 million (31st December 2007: HK$101.6 million) and pledged bank deposit of approximately HK$3.2 million (31st December 2007: HK$5.2 million) secured for banking facilities granted. As at 30th June 2008, the total amount of banking facilities granted to the Group was approximately HK$410 million being secured by fixed deposits, available-for-sale financial assets and corporate guarantee given by the Group. The Group's gearing ratio, representing total bank borrowing less bank balances and cash (including pledged bank deposits) and divided by shareholders' equity was approximately 71.8% (31st December 2007: 41.9%).

As at 30th June 2008, the Group had total assets of approximately HK$835.9 million (31st December 2007: HK$800.6 million), total liabilities of approximately HK$532.3 million (31st December 2007: HK$482.4 million). The net assets of the Group decreased by approximately 4.6% to approximately HK$303.6 million at the year ended (31st December 2007: HK$318.2 million).

## CAPITAL STRUCTURE

The share capital of the Company comprises only ordinary shares. At 30th June 2008, the Company had in issue 460,490,000 ordinary shares (31st December 2007: 342,480,000 shares). During the period under review, 118,000,000 new shares have been issued to Mr. Tang Xue Jin, as part of the consideration for the acquisition of an associate as referred to in the announcement dated 26th October 2007. The Company had also issued 10,000 new shares due to exercising of share options by a grantee.

## DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Pursuant to the sales and purchase agreement dated 17th October 2007, the Group has acquired 45.51% equity interest of China Mining Corporation Limited ("China Mining") in January 2008 (the "Acquisition"). The principal asset of China Mining is its 95% beneficial interests in the registered capital of Fujian Tiancheng Mining Corporation ("Tiancheng"). Tiancheng is principally engaged in the exploration and exploitation of precious metal and mineral resources in the PRC. Tiancheng currently holds the exploration right of the Da An Silver Mine in the Fujian Province of the PRC.

Other than as disclosed above, there were no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30th June 2008.

## CONTINGENT LIABILITIES

As at 30th June 2008, the Group had no material contingent liabilities (31st December 2007: Nil).

## CHARGES

Secured bank borrowings are secured by available-for-sales financial assets amounting to approximately HK$5,179,000 as at 30th June 2008 (31st December 2007: HK$2,342,000), corporate guarantees executed by the Company and pledged bank deposits amounted to approximately HK$3,169,000 as at 30th June 2008 (31st December 2007: HK$5,234,000).

## FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk. Most of the Group's assets and liabilities, revenues and expenditures are denominated in Hong Kong dollars, Renminbi and US dollars. During the period, the Group has foreign currency structured forward contracts to hedge against the above mentioned foreign currency risk. The Group will monitor its foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arised.

## EMPLOYEES

As at 30th June 2008, the Group had a total of approximately 2,000 (31st December 2007: 2,000) full-time employees based in Hong Kong and the PRC. Remuneration packages of the Group's employees are generally structured by reference to market terms and individual qualifications. Share options have also been granted to certain directors and employees of the Company and its subsidiaries. The Group operates a defined contribution benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) as well as medical insurance for all its employees in Hong Kong. Also, the Group provides its employees in the PRC with welfare schemes covering various insurance and social benefits.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2008 (2007: Nil).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30th June 2008. The Audit Committee comprises all of the three independent non-executive directors, namely, Dr. Lui Sun Wing, Mr. Li Chak Hung and Mr. Tang Koon Yiu Thomas.

## PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results is published on the Stock Exchange's website **(http://www.hkex.com.hk)** and the Company's website **(http://www.smartunion.com.hk)**. The interim report of the Company for the six months ended 30th June 2008 containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

## BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises 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.

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

Hong Kong, 24th September 2008