

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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

PLACING AGENT



On 12 June 2007, the Vendor entered into the Placing Agreement and the Subscription Agreement with the Placing Agent and Company respectively.

Pursuant to the Placing Agreement, the Vendor agreed to place, through the Placing Agent, an aggregate of 32,400,000 existing Shares, on a best effort basis to the independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners (i) are not connected persons (as defined in Listing Rules) of the Company; and (ii) are independent of the Company, its connected persons and other places at a price of HK\$1.33 per Share.

Pursuant to the Subscription Agreement, the Vendor conditionally agreed to subscribe for an aggregate of 32,400,000 Shares at a price of HK\$1.33 per Shares.

The Placing Shares of 32,400,000 Shares represent (i) approximately 13.5% of the existing issued share capital of the Company of 240,080,000 Shares; and (ii) about 11.9% of the issued share capital of the Company of 272,480,000 Shares as enlarged by the Subscription. The Placing Price of HK\$1.33 represents (i) a discount of approximately 18.9% to the closing price of HK\$1.64 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 17.8% over the average closing price per Share of HK\$1.618 as quoted on the Stock Exchange for the last five full trading days up to and including the Last Trading Day; and (iii) a discount of approximately 17.0% over the average closing price per Share of HK\$1.602 as quoted on the Stock Exchange for the last ten full trading days up to and including the Last Trading Day.

The Subscription is conditional upon, among other things, (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares and (2) the completion of Placing. The net proceeds from the Subscription of about HK\$41.8 million will be applied for the investments in production facilities of toys and recreational products and for general working capital requirement. As the date of this announcement, the Group is exploring possible business opportunities in relation to the above business. The preliminary discussions of such business are still undergoing and no formal agreement has been entered as at the date of this announcement.

PLACING AGREEMENT

Date

12 June 2007

Parties involved

The Placing Agent and the Vendor

Placing Agent

Sun Hung Kai International Limited is the Placing Agent and will receive a placing commission of 2.5% on the gross proceeds of the Placing paid by the Company, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent and its ultimate beneficial owners are not connected persons (as defined in Listing Rules) of the Company and are third parties independent of the Company and its connected persons.

Placees

Not less than six placees who are independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners are third parties independent of and not connected with the directors, chief executive or substantial shareholders of the Group, or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Placing Price

The Placing Price of HK\$1.33 represents:

- a discount of approximately 18.9% to the closing price of HK\$1.64 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 17.8% over the average closing price per Share of HK\$1.618 as quoted on the Stock Exchange for the last five full trading days up to and including the Last Trading Day; and
- a discount of approximately 17.0% over the average closing price per Share of HK\$1.602 as quoted on the Stock Exchange for the last ten full trading days up to and including the Last Trading Day.

The Placing Price is negotiated on an arm's length basis amongst the Vendor, the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and its Shareholder as a whole.

Placing Shares

The Placing Shares of 32,400,000 Shares represent (i) approximately 13.5% of the existing issued share capital of the Company of 240,080,000 Shares; and (ii) approximately 11.9% of the issued share capital of the Company of 272,480,000 Shares as enlarged by the Subscription.

Condition of the Placing

The Placing is unconditional.

Completion

The Placing is to be completed on or before 15 June 2007 or on such other date as may be agreed between the Vendor and the Placing Agent.

THE SUBSCRIPTION AGREEMENT

Date

12 June 2007

Parties involved

The Company and Vendor

Subscription Price

The subscription price per Subscription Share is equivalent to the Placing Price HK\$1.33 per Share.

Number of Subscription Shares

32,400,000 new Shares to be subscribed by the Vendor, representing approximately 13.5% of the existing issued share capital of the Company and approximately 11.9% of the issued share capital of the Company as enlarged by the Subscription.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

Conditions

The Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares and (ii) completion of the Placing.

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

Completion

Completion of the Subscription will take place upon the fulfilment of all conditions listed above and within 14 days from the date of the Placing Agreement (or such other date as may be agreed between the parties, subject to the approval of the Stock Exchange).

In the event that the conditions to the Subscription Agreement are not fulfilled by 26 June 2007 (or such later date as the parties thereto may mutually agree), the rights and obligations of the parties under the Subscription Agreement shall lapse and be of no further effect, in which event the parties thereto shall be released from such obligations without any liability save as to any antecedent breach and provided that any right or remedies which shall have accrued shall not be prejudiced or affected.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company before and after the Placing and the Subscription will be as follows:

Shareholders	Current		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Vendor and its associates	170,854,000	71.2%	138,454,000	57.7%	170,854,000	62.7%
Placees	—	—	32,400,000	13.5%	32,400,000	11.9%
Other Shareholders	69,226,000	28.8%	69,226,000	28.8%	69,226,000	25.4%
Total	<u>240,080,000</u>	<u>100.0%</u>	<u>240,080,000</u>	<u>100.0%</u>	<u>272,480,000</u>	<u>100.0%</u>

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Placing and Subscription represents an opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company.

The gross proceeds from the Subscription is approximately HK\$43.09 million. The net price to the Company of each Share is approximately HK\$1.29. The net proceeds from the Subscription of approximately HK\$41.8 million will be applied for the investments in production facilities of toys and recreational products and for general working capital requirement. As the date of this announcement, the Group is exploring possible business opportunities in relation to the above business. The preliminary discussions of such business are still undergoing and no formal agreement has been entered as at the date of this announcement.

The Company will bear the expenses and costs incurred in relation to the Placing and the Subscription.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Net Proceeds	Intended use of proceeds as stated in the prospectus	Actual use of proceeds
19 September 2006	Public offering	Approximately HK\$55 million	Approximately HK\$25 million for expansion of the production facilities in Qing Yuan Approximately HK\$5 million for development of ODM business Approximately HK\$5 million for enhancing the Group's production capacity, production standard and environment Approximately HK\$13 million for repayment of bank borrowings Remaining balance of approximately HK\$7 million for general working capital of the Group	approximately HK\$15 million has been used for expansion of production facilities in Qing Yuan, and the remaining of approximately HK\$10 million has not been used as at the date of this announcement. approximately HK\$2 million has been used for Dreamlink's ODM development, and the remaining of approximately HK\$3 million has not been used as at the date of this announcement. approximately HK\$4.6 million has been used for purchase of production equipment and renovation of production working environment, and the remaining of approximately HK\$0.4 million has not been used as at the date of this announcement. approximately HK\$13 million has been used for repayment of bank borrowings approximately HK\$7 million has been used as general working capital of the Group. All the proceeds which has not been applied as at the date of this announcement, has been placed in the bank accounts of the Group

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.

GENERAL MANDATE

The Subscription Shares will be issued under the general mandate ("General Mandate") to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting (the "AGM") of the Company held on 18 May 2007 subject to the limit up to 20% of the issued share capital of the Company as at the date of passing the resolution at the AGM (i.e. 48,000,000 Shares). As at the date of this announcement, no Share has been issued under the General Mandate.

GENERAL

The principal activities of the Group are manufacturing and trading of toys and recreational products on a OEM basis.

TERMS AND DEFINITIONS

"Board"	the board of directors of the Company
"Company"	Smart Union Group (Holdings) Limited, a company incorporated in Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Last Trading Day"	12 June 2007, being the last trading day for the Shares prior to this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Placing Agent"	Sun Hung Kai International Limited, a corporation licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK\$0.10 in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Placing"	the placing of 32,400,000 existing Shares beneficially owned by the Vendor pursuant to the terms of Placing Agreement
"Placing Agreement"	the placing agreement between the Vendor and the Placing Agent dated 12 June 2007 in relation to the Placing
"Placing Price"	HK\$1.33 per Share
"Placing Shares"	an aggregate of 32,400,000 existing Shares beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement
"Subscription"	the subscription of 32,400,000 new Shares pursuant to the terms of Subscription Agreement
"Subscription Agreement"	the subscription agreement between the Vendor and the Company dated 12 June 2007 in relation to the Subscription
"Subscription Price"	HK\$1.33 per Share
"Subscription Shares"	a total of 32,400,000 new Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement
"Vendor"	Smart Place Investments Limited, a substantial shareholder of the Company which, together with its associates, held approximately 71.2% of the Company's issued share capital immediately prior to the Placing and the Subscription
"HK\$" / "\$"	Hong Kong dollars, the lawful currency of Hong Kong / per cent.

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

Hong Kong, 12 June 2007

As at the date of this announcement, the Board comprises of (1) Executive Directors: Mr. Wu Kam Bun, Mr. Lai Chiu Tai, Mr. Lo Kwok Choi, Mr. Ho Wai Wah and Mr. Wong Wai Chuen; and (2) Independent Non-executive Directors: Dr. Lui Sun Wing, Mr. Li Chak Hung and Mr. Tang Koon Yiu, Thomas.