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)

Annual Report

07

QUALITY, SAFETY & INTEGRITY

Contents

Corporate Information

DIRECTORS

Executive Directors:

Mr. Wu Kam Bun *(Chairman)*
Mr. Lai Chiu Tai *(Vice Chairman)*
Mr. Lo Kwok Choi
Mr. Ho Wai Wah
Mr. Wong Wai Chuen

Independent Non-executive Directors:

Dr. Lui Sun Wing
Mr. Li Chak Hung
Mr. Tang Koon Yiu Thomas

QUALIFIED ACCOUNTANT

Mr. Wong Wai Chuen

COMPANY SECRETARY

Mr. Siu Wai Man

SOLICITORS

Sidley Austin

COMPLIANCE ADVISER

Sun Hung Kai International 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

Rooms 217-222
Advanced Technology Centre
2 Choi Fat Street
Sheung Shui
New Territories
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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)

WEBSITE

www.smartunion.com.hk

On behalf of the Board of Directors of Smart Union Group (Holding) Limited (the "Company") and its subsidiaries (together the "Group"), I have the pleasure of presenting to you the Group's financial results for the year ended 31st December 2007.

Amid difficulties and challenges surrounding the toy industry in 2007, the Group cannot escape from problems caused by the industry and business environment. The product recall incident badly affected the toy industry. The Group faced hard time although the incident didn't happen in our operation. A series of incidents encountered in the industry on product recall from the market has eroded the confidence of various markets, investors and regulators which consequently induce the strict control on painting process, operation system and safety concern. As a such, the testing cost, control cost and operation cost incurred in manufacturing and product procurement have been tremendously increased. On the whole, the recall incidents also impaired the image of the overall toy industry causing uncertainties on the outlook of sales and business potential.

Moreover, higher labor cost resulting from new labors law and increased minimum wage rate has increased the burden to our manufacturing cost. The soaring inflation on the raw material and oil price has trimmed away the Group's profit further downwards. The appreciation of Renminbi ("RMB") warrants the situation which affects the overall inflation and lowers our exchange value for the support to the operation cost in the People's Republic of China (the "PRC").

However, the challenges to the toy industry bring a turning point to the industry. Consolidation is happening in the toy industry for the adjustment and resolution of recent problems incurred. Induced by consolidation, the improvement of supply and demand situation brings the Company to a better bargaining position.

Moreover, to safeguard their products output in view of quality and quantity, the big toy companies are now targeting on bigger and reliable factories as their vendors with their good setup of quality and operation systems. The qualified OEM manufactures are now in better position to ask and bargain the right prices, and reflecting the inflated cost onto the products in time to the customers. In the long run, the Company is benefiting from the situation in this newly development.

Looking for healthy growth ahead particularly in the course of consolidation in the toy industry, the Company is going through consolidation of our customer base by focusing our resource, growth and business onto two categories of customers: core customer base and strategic customer base. The core customer base is built upon large and reputable toy companies with famous and big brand name such as Mattel, Hasbro, and Spin Master. The business focuses on big and steady volume, along with reliable forecast by customers to induce the Group to have steady business and lower overhead cost on serving focused customers.

The strategic customer base is built upon customers with long term collaboration and strategic plan such as Super Technology Limited, Manley and Artin on which we are engaging with the course of activities coupling with the growth of product lines in the business of licensed products, bouncer and track car. The Group will eventually capture the potential of growth and reap the reward from the long term collaboration in their success.

In 2007, overall sales of the Group has achieved to a new high which was contributed by strong growth of OEM business. The Group has been working on developing new production capabilities and new product lines, especially those with different seasonal cycles from traditional toys products such as outdoor activities product as bouncer and water gun. Our endurance effort obviously brings us business stabilisation across different seasons and reduce the loss in slack season.

The Group is also expanding its ODM and OBM business through its subsidiary, Dream Link Limited, with the brand of "Dream Cheeky". The positive reception from the market regarding "Dream Cheeky's" line of USB application products will open up further prospect for development which brings a solid and sustainable growth in the near future.

In addition to the core business in toy, the Group has gone through the first step of diversifying to mining business by acquiring 48.96% of China Mining Corporation Limited which owns 95% of Fujian Tiancheng Mining Corporation which holds the exploration right of the silver mine located in Daan Township, Shouning Country, Ningde City, Fujian Province of the PRC. The exploration and application of exploitation license are undergoing full swing and we expect to bring contribution to the company next year. By taking advantage of the experience of our partners in mining business, the Group is also seeking opportunities and collaboration in exploring business related to this aspect.

Even though there are uncertainties in 2008 such as growing inflation rate, appreciation of RMB, tight credit market and possible recession in the United States, the Company has strong confidence to turn around the trend on profitability in view of its existing business strategies stated above and the strong reception and orders gained from the product lines of Wall.E, Bakugan, and Bouncer. The newly market positioning on larger bargaining power in price negotiation with our clients, the improvement on stabilising sale across different seasons, and contribution by OBM business are going to improve our margin in 2008.

Last but not the least, the Group is keeping on its momentum to sustain its growth drivers to enhance the Group's value and drive the Group through the difficulties encountered in the industry and economic environment. We are looking for healthy and sustainable growth in new business opportunities in parallel to the core business we are enduring.

In conclusion, we would like to express my deepest gratitude to all our shareholders, customers, business partners and suppliers for their continuous support and confidence in the Group. Our sincere appreciation also goes to the management and all our staff's indispensable and enthusiastic contributions and their commitment to enabling us to encounter every challenge faced by the Group for the year. We look forward to the continuous returns generated by the Group to all shareholders in future.

By order of the Board

Wu Kam Bun
Chairman

Hong Kong, 23rd April 2008

RESULTS

For the year ended 31st December 2007, the Group recorded a turnover of approximately HK$953.6 million (2006: HK$727.2 million) representing approximately 31.1% increase. The increase was driven by the turnover contributed from the operation of our OEM business. The profit for the year was dropped to approximately HK$5.4 million (2006: HK$30.6 million).

The Group's gross profit margins were severely eroded by approximately 4.9% as the accelerating appreciation of the RMB against the United States dollar ("USD"), spikes in commodity prices and rising inflation in the PRC pushed up labour and material costs and other manufacturing overheads. In addition, in the second half year of 2007, the toy industry was greatly affected by several repeated high profile product recalls resulting from concerns over product safety. Despite the fact that the Group has always been in full compliance with the industry's standards and customers' testing requirements, as well as maintaining an excellent safety record, the Group's customers and certain government bodies in the United States and the PRC have imposed more stringent testing requirements, standard and higher testing frequency. Accordingly, we have implemented additional testing procedures and are working with our suppliers to meet the demanding requirement and to provide high quality and safety toys.

Analysis of the Group's sales by product type for the year ended 31st December

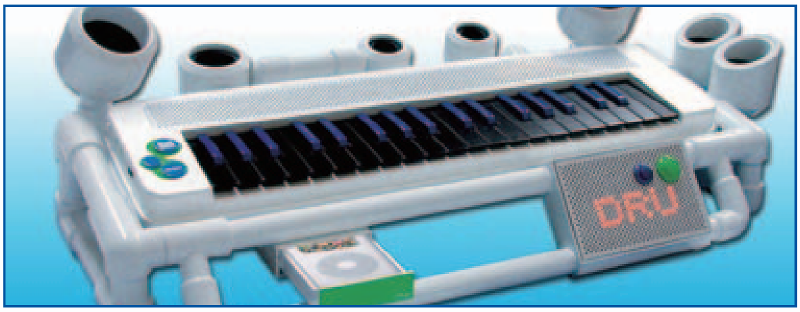
	2003	2004	2005	2006	**2007**
Hard and electronic toys	50%	61%	57%	54%	**60%**
Educational and recreational products	26%	23%	19%	21%	**17%**
Soft toys	19%	9%	9%	9%	**9%**
Sports products	0%	1%	10%	15%	**12%**
Others	5%	6%	5%	1%	**2%**
	100%	100%	100%	100%	**100%**

Liquidity and Financial Resources

As at 31st December 2007, the Group had bank balances and cash of approximately HK$101.6 million (2006: HK$64.9 million) and pledged bank deposit of approximately HK$5.2 million (2006: HK$5.3 million) secured for banking facilities granted. As at 31st December 2007, the total amount of banking facilities granted to the Group was approximately HK$377 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 41.9% (2006: 37.8%).

Assets and Liabilities

As at 31st December 2007, the Group had total assets of approximately HK$800.6 million (2006: HK$483.3 million), total liabilities of approximately HK$482.4 million (2006: HK$316.3 million). The net assets of the Group increased by approximately 90.5% to approximately HK$318.2 million at the year ended (2006: HK$167.0 million).



Exchange Rate Risk

The Group is exposed to foreign currency risk, most of the Group's assets and liabilities, revenues and expenditure are denominated in RMB, USD and HK dollars. The Group currently has foreign currency structured forward contracts to hedge against the above mentioned foreign currency exposure.

Capital Structure

The share capital of the Company comprises only ordinary shares. At 31st December 2007, the Company had in issue 342,480,000 ordinary shares (2006: 240,000,000 shares). During the year, 32,400,000 and 70,000,000 new shares were issued respectively in June and November 2007. The Company had also issued 80,000 new shares due to exercising of share options by a grantee.

DIVIDENDS

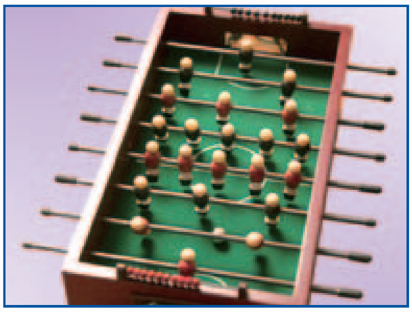
The directors of the Group do not recommend the payment of a dividend for the year ended 31st December 2007 (2006: HK6 cent per share).

BUSINESS REVIEW

2007 was one of the most difficult years in toy industry. The toy recalls in the second half year aggravate the industry already harmed by the adverse conditions for manufacturers in the PRC. Although the Group was not affected by the recalls, testing and associated administrative costs rose dramatically as the Chinese government and customers required more stringent controls and rigorous third-party testing to ensure product safety. In general, the Group's profit margins severely eroded by approximately 4.9% because of the appreciation in RMB and rising labour and material costs. The cost of doing business in the PRC will continue to rise with the implementation of new China labour law regulations on 1st January 2008 which require companies to offer lifelong employment to employees.

However, the Group believes that the PRC will continue to be the most efficient hub for toy manufacturing with the well-established supply chain and higher labour efficiency as compared with that of other countries. Furthermore, the labour shortages in the year of 2008 have eased as smaller manufacturers are forced out of business or move further inland. To control costs, the Group has launched an aggressive program to reduce working capital requirement and control of inventory banking. To further improve profit margins, the Group had further consolidated the business to concentrate serving those customers with higher profit margin.

For the mining business, the Group had successfully acquired a silver mine in the PRC (the "Acquisition") in January 2008. For the details of the Acquisition, please refer to the circular of the Company of 10th December 2007. The Group considers that the Acquisition represents an excellent investment opportunity. In view of the continuous economic growth in the PRC and the worldwide growing demand for natural resources as a result of the development of the global economy, the Directors believe that there will be sustainable demand for precious metals including silver. Silver has long been valued as a precious metal and used in currency, ornaments and jewellery, as well as utensils. It is also used in photographic film, electrical contacts and mirrors. The spot price of silver quoted on the London Metal Exchange has almost tripled since 2001, rising from an average of US$4.37 per ounce in 2001 to an average of US$11.57 per ounce in 2006, and the average of which for the

seven months ended 31st July 2007 is US$13.27 per ounce. The current market price of silver is rising to approximately US$18 per ounce, which is approximately 35% increase compared with our acquisition values. The Group intends to hold the Sale Shares, representing 45.51% shareholding in China Mining Corporation Limited and the Conversion Shares representing 3.45% shareholding in China Mining Corporation Limited upon the conversion of the Convertible Bonds as long term investment. The Directors consider that the value of investments in a company lies in its future potential growth. In view of the growing demand for precious metals in the PRC, the Directors are of the view that the upside potential for the investment in the silver mine will be promising.

Employees and remuneration polices

As at 31st December 2007, the Group had a total of approximately 9,100 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. Employees may also participate in the share option scheme of the Company. 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.

Future plan and prospects

Looking ahead, with the RMB appreciating continuously and raw material and labour costs climbing in high rocket rate, and the Chinese government cutting export value-added tax refund and introducing new labour laws, the operational environment in the PRC is expected to remain stern in the coming year. This, together with the downturn of the US economy affecting consumption sentiment worldwide, will create testing times for the toy industry. However, as more and more small manufacturers are ousted by the tough market environment, sizeable players like the Group will benefit. The fact that the Group has been able to transfer certain rising costs to customers is a clear sign of its growing bargaining power in the market. With the overall industry trend taken into consideration, the Group is prudently optimistic about its business in the future.

On the other hand, the Group had received substantial orders from renowned customers for the production of Wall. E and Bakugan toys. The movie of Wall. E is expected to be released worldwide in June 2008. In addition, the sales of summer outdoors toys such as bouncers and watergun are still in healthy growth in our Group.

In the coming year, the Group will continue to adjust its marketing strategies to tie in the changing market, aiming at sustaining steady growth in core business, exploring markets and opportunities for the OBM business in the PRC and the U.S., developing new manufacturing process for the niche market and enhancing collaboration with other industries for further business growth.

For the mining business, the value of the silver mine is increasing as the silver price is rising. The Group will work close to the business partner and make sure the exploitation license is granted and the exploitation work can start as earlier as possible to contribute to the profit of the Group.

EXECUTIVE DIRECTORS

Mr. Wu Kam Bun (胡錦斌), aged 53, is the Chairman of the Board and an executive Director. Being the founder of the Group, Mr. Wu is responsible for the overall strategic and corporate planning, and management of the Group. Mr. Wu obtained a Higher Diploma in Production and Industrial Engineering from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1978, Diploma in Management Studies jointly awarded by Hong Kong Polytechnic and Hong Kong Management Association in August 1983 and a Master Degree of Business Administration from the University of Northern Iowa in May 2003, a Master degree of Advanced Business Practice from University of South Australia in August 2006 and has over 22 years of experience in toys and manufacturing industry. Mr. Wu also serves as the Executive Vice-President of The Toys Manufacturers' Association of Hong Kong Ltd. from 2004 to 2006, and had served as a director of Fourth Board of the Guangdong Chamber of Foreign Investors (廣東外商公會) in 2003 and the vice president of the Fourth Supervisory Committee of Qing Yuan Overseas Friendship Association of Guangdong China (廣東清遠海外友誼協會) in 2004.

Mr. Lai Chiu Tai (賴潮泰), aged 58, is the Vice Chairman of the Board and an executive Director. Mr. Lai is responsible for the strategic planning and new business development of the Group. He joined the Group in January 1998 and has extensive experience in toys and manufacturing. He also served as a senior consultant of Advanced Occupational Technology Training Academy of Zhan Jiang City of Guangdong Province (廣東省湛江市高級職業技術培訓學院) and a director of the university management committee of the University of Science and Technology Beijing (北京科技大學) in 2002, and the National Supervisor of China Society of Urban Economy (中國城市經濟學會) in 2003. In 2004, he was elected as the Honorable President of The Hong Kong Association for the Advancement of Science and Technology and a member of second executive committee of Chinese People's Political Consultative Conference of Qing Cheng District of Qing Yuan City (中國人民政治協商會議清遠市清城區第二屆委員會敘務委員會).

Mr. Lo Kwok Choi (盧國材), aged 58, is the Chief Executive Officer of the Group and an executive Director. Mr. Lo is responsible for the strategic planning and marketing functions of the Group. He joined the Group in June 2003 and has extensive experience in toys manufacturing. Mr. Lo obtained a Higher Diploma in Production Engineering from the Hong Kong Technical College (currently known as the Hong Kong Polytechnic University) in 1969. He holds a Master Degree of Science in Industrial Engineering and Administration from Cranfield Institute of Technology (currently known as Cranfield University) in 1978 and a Master Degree of Business Administration from University of Hong Kong in 2006.

Mr. Ho Wai Wah (何偉華), aged 53, is the operation director of the Group and an executive Director. Mr. Ho is responsible for the PRC operations of the Group. He joined the Group in July 1998 and has extensive experience in toys and manufacturing. Mr. Ho graduated from the National Taiwan University with a Bachelor Degree of Science in Engineering in 1980. He is also a supervisor of The H.K. Enterprises Association of Dongguan Zhangmutou (東莞市樟木頭港商投資企業協會) and member of Committee of Chinese People's Political Consultative Conference of Fongang County (中國人民政治協商會議佛岡縣委員會).

Mr. Wong Wai Chuen (黃偉銓), aged 40, is the financial controller and the qualified accountant of the Group and an executive Director. Mr. Wong has more than 12 years of experience in financial and accounting management and is responsible for overseeing the financial activities of the Group. Mr. Wong is a fellow member of Association of Chartered Certified Accountants in the United Kingdom and an associate of Hong Kong Institute of Certified Public Accountants. Mr. Wong obtained a Master Degree of Science in Information Systems in 1998 and a Master Degree of Science in Finance in 2002 from Hong Kong Polytechnic University and City University of Hong Kong respectively. Mr. Wong joined the Group in November 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lui Sun Wing (呂新榮), aged 57, is an independent non-executive Director. Dr. Lui obtained a PhD in Mechanical Engineering from the University of Birmingham of United Kingdom in 1979 and was admitted as a member of the Hong Kong Institution of Engineers in 1985. He worked for the Hong Kong Productivity Council from 1981 to 2000, and was a branch director (Promotion) of the Hong Kong Productivity Council immediately before he left the Hong Kong Productivity Council in June 2000. Dr. Lui is the vice president (Partnership Development) of the Hong Kong Polytechnic University. Dr. Lui is also the chief executive officer of the Institute for Enterprise of the Hong Kong Polytechnic University, PolyU Technology and Consultancy Company Limited. and PolyU Enterprises Limited. Dr. Lui was appointed as an independent non-executive Director in September 2006.

Mr. Li Chak Hung (李澤雄), aged 43, is an independent non-executive Director. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants in the United Kingdom. He has experience in auditing, accounting and financial management. Mr. Li is also an independent non-executive director of Shanghai Allied Cement Limited and Quality Healthcare Asia Limited, both are companies listed on the Stock Exchange. He was an independent non-executive director of Xian Yuen Titanium Resources Holdings Limited (formerly known as Aurora Global Investment Holdings Limited from September 2005 to April 2007 and The Hong Kong Building and Loan Agency Limited from October 2005 to July 2007, both are companies listed on the Stock Exchange. Mr. Li was appointed as an independent non-executive Director in September 2006.

Mr. Tang Koon Yiu Thomas (鄧觀瑤), aged 60, is an independent non-executive Director. Mr. Tang is an industrialist with profound experience in diverse industries such as computers and computer peripherals, office automation, consumer electronics and metals. Mr. Tang was the executive director of Hong Kong Productivity Council, the chairman and executive director of Elec & Eltek International Holdings Limited (previously listed on the Stock Exchange and such listing had been withdrawn since March 2005) and Elec & Eltek International Company Limited (a company listed on the Singapore Exchange Securities Trading Limited). Mr. Tang obtained a Master degree of Science in Industrial Engineering and Administration from Cranfield Institute of Technology (currently known as Cranfield University) in 1976. Mr. Tang also serves as director of Findearly Investments Limited, Cambrian Mining (HK) Limited and Camberra Holdings Limited. Mr. Tang was appointed as an independent non-executive Director in September 2006

SENIOR MANAGEMENT

Ms. Law Yuet Yee (羅月儀), aged 54, is the general manager of the Group. She has more than 25 years of experience in manufacturing industry and is responsible for supervising the production activities in Zhang Yang Factory. Ms. Law joined the Group in July 2000 as factory manager and was promoted to general manager in August 2001.

Mr. Michael John Petris, aged 43, is the director and chief executive officer of Dream Link. He is also currently a director of Current Creation Limited. Mr. Petris joined Dream Link as director in June 2003 and was employed as the vice president of marketing and product development department of Dream Link in July 2003 and was promoted to chief executive officer in January 2004. Mr. Petris was appointed as a director of Current Creation Limited in July 2004. Mr. Petris is responsible for the overall strategic planning, product development and sales of Dream Link. Mr. Petris has extensive experience in the toys industry, disciplines including design, marketing and sales of toy products and gift items.

Mr. Ho Chi Kwong, Ivan (何志光), aged 41, is the assistant general manager of the Group. He joined the Group as engineering manager in May 1997 and was promoted to assistant general manager in August 2001. He has about 15 years of experience in engineering and toys manufacturing industry. He holds a higher certificate in manufacturing engineering from Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in 1992 and is responsible for marketing, planning and engineering operations of the Group.

Ms. Chu Wai Fan (朱慧芬), age 46, is the senior planning and material control manager of the Group. Ms. Chu joined the Group as planning operation manager in February 2003 and was promoted to senior planning and material control manager in January 2006. She has over 15 years of experience in manufacturing industry and is responsible for all production planning and material control.

Mr. Lee Sai Man (李世聞), aged 34, is the electronic manager of the Group. He is responsible for managing the engineering operation. He obtained a Bachelor Degree of Engineering in Electronic and Computer Engineering from the University of York. Mr. Lee joined the Group in September 2004 as electronic manager.

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of its subsidiaries are manufacturing and trading of toys and recreational products on an OEM basis. Particulars of the Company's principal subsidiaries are set out in Note 10 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2007 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 25 to 82. The Board of Directors do not recommend the payment of a dividend for the year ended 31st December 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 7 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company and movements thereof are set out in Note 19 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Note 20 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 83 to 84.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Other than the issue of 102,480,000 shares by the Company during the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

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

Executive Directors:

Mr. Wu Kam Bun	(appointed on 8th March 2006)
Mr. Lai Chiu Tai	(appointed on 4th July 2006)
Mr. Lo Kwok Choi	(appointed on 4th July 2006)
Mr. Ho Wai Wah	(appointed on 4th July 2006)
Mr. Wong Wai Chuen	(appointed on 4th July 2006)

Independent Non-executive Directors:

Dr. Lui Sun Wing	(re-appointed on 1st September 2007)
Mr. Li Chak Hung	(re-appointed on 1st September 2007)
Mr. Tang Koon Yiu, Thomas	(re-appointed on 1st September 2007)

In accordance with Company's Article of Association, Mr. Lo Kwok Choi, Mr. Wong Wai Chuen and Dr. Lui Sun Wing will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 8 to 10.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from 2nd September 2006 and may be terminated by either party by giving not less than three months' written notice at the end of the initial term or at any time thereafter.

The former service contracts entered into by the Company and each independent non-executive director were expired on 1st September 2007. On 1st September 2007, each of the independent non-executive directors of the Company has entered into a new service contract with the Company for a term of one year commencing on 1st September 2007 and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of not less than three months in writing before its expiration.

Save as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as those set out in Note 37 to the financial statements, no contract of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December 2007, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("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, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long position in ordinary shares of HK$0.1 each in the Company

Name	*Notes*	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wu Kam Bun	*1*	Interest of Controlled corporations	173,988,000	50.80%
	2	Benefit owner	3,154,000	0.92%
			177,142,000	51.72%
Lai Chiu Tai	*1*	Interest of Controlled corporations	173,988,000	50.80%
	3	Benefit owner	300,000	0.09%
			174,288,000	50.89%

Notes:

1 The 173,988,000 Shares were owned by Smart Place Investments Limited, a company incorporated in the British Virgin Islands, the entire issues 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 173,988,000 Shares held by Smart Place Investments Limited by virtue of the SFO.

2 The interests in 3,154,000 Shares represent 2,854,000 Shares and 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 in 300,000 Shares 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.

Long position in underlying shares of equity derivatives of the Company – interests in share options of the Company (being granted and remained outstanding)

Name	Capacity	Number of shares in the option	Exercise period	Price of grant *HK$*	Subscription price per share *HK$*
Wu Kam Bun	Beneficial owner	300,000	14.5.2008 to 26.4.2017	1.00	0.78
Lai Chiu Tai	Beneficial owner	300,000	14.5.2008 to 26.4.2017	1.00	0.78
Lo Kwok Choi	Beneficial owner	500,000	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	10.5.2008 to 26.4.2017	1.00	0.78
Tang Koon Yiu Thomas	Beneficial owner	80,000	16.5.2007 to 26.4.2017	1.00	0.78
Li Chak Hung	Beneficial owner	80,000	23.5.2007 to 26.4.2017	1.00	0.78
Law Yuet Yee	Beneficial owner	1,000,000	14.5.2008 to 26.4.2017	1.00	0.78
Ho Chi Kwong	Beneficial owner	650,000	14.5.2008 to 26.4.2017	1.00	0.78
Chu Wai Fan	Beneficial owner	200,000	14.5.2008 to 26.4.2017	1.00	0.78

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 31st December 2007.

SHARE OPTIONS

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 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 movement of share options during the year are as follows:

Name of grantee	Exercise price *HK$*	Exercisable period	As at 1st January 2007	Granted during the year ended 31st December 2007	Exercised/ Lapsed during the year ended 31st December 2007	As at 31st December 2007
Wu Kam Bun	0.78	14.5.2008 to 26.4.2017	–	300,000	–	300,000
Lai Chiu Tai	0.78	14.5.2008 to 26.4.2017	–	300,000	–	300,000
Ho Wai Wah	0.78	14.5.2008 to 26.4.2017	–	500,000	–	500,000
Lo Kwok Choi	0.78	14.5.2008 to 26.4.2017	–	500,000	–	500,000
Wong Wai Chuen	0.78	10.5.2008 to 26.4.2017	–	1,000,000	–	1,000,000
Lui Sun Wing	0.78	14.5.2007 to 26.4.2017	–	80,000	(80,000)	–
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
Law Yuet Yee	0.78	14.5.2008 to 26.4.2017	–	1,000,000	–	1,000,000
Ho Chi Kwong	0.78	14.5.2008 to 26.4.2017	–	650,000	–	650,000
Chu Wai Fan	0.78	14.5.2008 to 26.4.2017	–	200,000	–	200,000
Other persons	0.78	14.5.2008 to 26.4.2017	–	5,410,000	(240,000)	5,170,000
			–	10,100,000	(320,000)	9,780,000

The fair value of the options determined at the date of grant using the Black-Scholes option pricing model (the "Model") was HK$0.33 per share.

The Company has used the Model to value the share option granted during the review period. The model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions as show below. Expected volatility is based on annualized historical volatility of the closing price of the shares of the Company from 29th September 2006 to date of grant. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Date of grant	**27th April 2007**
Share price at grant date	HK$0.78
Exercise price	HK$0.78
Risk free interest rate	4.318%
Expected life (in years)	5
Volatility	0.67
Expected dividend yield	4.87%

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the section "Share Options" above, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, no director has been interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business which is required to be disclosed pursuant to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interest maintained by the Company pursuant to Section 336 of the SFO.

Long position in ordinary shares of HK$0.1 each in the Company and underlying shares of equity derivatives of the Company

Name	Capacity		Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Ip Chor Wan *(Note 1)*	Interest of spouse	(L)	177,142,000	51.72%
Chan Wai Ling *(Note 2)*	Interest of spouse	(L)	174,288,000	50.89%
Smart Place Investments Limited	Beneficial owner	(L)	173,988,000	50.80%

L: Long position

Note:

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.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31st December 2007.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK$98,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a prorate basis to existing shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of the total purchases and sales for the year under review attributable to the Group's major suppliers and customers are as follows:

	2007	2006
Purchases		
– the largest supplier	**5%**	4%
– five largest suppliers combined	**20%**	15%
Sales		
– the largest customer	**18%**	19%
– five largest customers combined	**61%**	70%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 23 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

AUDITOR

The Company's auditor, PricewaterhouseCoopers retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wu Kam Bun
Chairman

Hong Kong, 23rd April 2008

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provision set out in the Code on Corporate Governance Practice ("the Code on Corporate Practices") as set out in Appendix 14 of the Listing Rules. The Group has complies with the Code for the year ended 31st December 2007. The Group will continue to monitor the corporate governance practices to ensure that such practices meet the Code.

BOARD OF DIRECTORS

The board of directors (the ''Board'') is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently comprises of eight directors including five executive directors and three independent non-executive directors:

Executive:

Mr. Wu Kam Bun *(Chairman)*
Mr. Lai Chiu Tai
Mr. Lo Kwok Choi *(Chief Executive Officer)*
Mr. Ho Wai Wah
Mr. Wong Wai Chuen

Independent Non-executive:

Dr. Lui Sun Wing
Mr. Li Chak Hung
Mr. Tang Koon Yiu Thomas

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 8 to 9 of this report. There is no relationship among members of the Board.

The Company has arranged appropriate insurance cover on directors' and officers' liabilities in respect of relevant actions against directors.

Board Meetings and Attendance

The Board shall meet regularly and at least four times a year. During the year ended 31st December 2007, the Board held five meetings. The attendance of the directors at the board meeting is set out as follows:

	Attendance
Mr. Wu Kam Bun	5/5
Mr. Lai Chiu Tai	5/5
Mr. Lo Kwok Choi	5/5
Mr. Ho Wai Wah	5/5
Mr. Wong Wai Chuen	5/5
Dr. Lui Sun Wing	2/5
Mr. Li Chak Hung	2/5
Mr. Tang Koon Yiu Thomas	2/5

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the non-executive directors are independent to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company recognises that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Chairman and Chief Executive Officer of the Company are Mr. Wu Kam Bun and Mr. Lo Kwok Choi respectively and their responsibilities are clearly established and set out in writing.

The Chairman provides leadership, determines the Group's overall development direction and strategies and ensures the Board functions effectively and discharges its responsibilities. Chief Executive Officer is responsible for implementing objectives and strategies approved and delegated by the Board of Directors.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from 2nd September 2006 and may be terminated by either party by giving not less than three months' written notice at the end of the initial term or at any time thereafter.

The former service contracts entered into by the Company and each independent non-executive director were expired on 1st September 2007. On 1st September 2007, each of the independent non-executive directors of the Company has entered into a new service contract with the Company for a term of one year commencing on 1st September 2007 and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of not less than three months in writing before its expiration.

Under article 87(1) of the Articles of Association of the Company, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Mr. Lo Kwok Choi, Mr. Wong Wai Chuen and Dr. Lui Sun Wing would retire, and being eligible, would offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

On 2nd September 2006, the Company 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 year under review.

RESPONSIBILITIES OF DIRECTORS

All directors were ensured to have a proper understanding of the businesses and development of the Group and that they were full aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

SUPPLY AND ACCESS OF INFORMATION

In respect of regular board meeting, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting.

All directors are entitled to have access to board papers, minutes and related materials.

AUDIT COMMITTEE

The Company established an Audit Committee on 2nd September 2006 with written terms of reference in compliance with the Code on Corporate Practices as set out in Appendix 14 of the Listing Rules. The members of the Audit Committee consist of three Independent Non-executive Directors, namely Mr. Li Chak Hung, Dr. Lui Sun Wing and Mr. Tang Koon Yiu Thomas. Mr. Li Chak Hung who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. The Audit Committee shall meet at least twice a year.

During the financial year, the Audit Committee has reviewed the accounting standards and practices adopted by the Group and to discuss matters regarding the internal controls with management. The Group's final results for the year ended 31st December 2007 have been reviewed by the Audit Committee before submission to the Board of Directors for approval.

During the year ended 31st December 2007, the Audit Committee held two meetings with full minutes kept by the company secretary.

	Attendance
Dr. Lui Sun Wing	2/2
Mr. Li Chak Hung	2/2
Mr. Tang Koon Yiu Thomas	2/2

AUDITOR'S REMUNERATION

The fee in respect of audit and non-audit services provided to the Group by independent auditor for the year ended 31st December 2007 amounted to approximately HK$1,500,000 and HK$80,000 respectively. The non-audit services mainly consist of review and other reporting services.

NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 2nd September 2006 with written terms of reference in compliance with the Code on Corporate Practices as set out in Appendix 14 of the Listing Rules. The members of the Nomination Committee consist of one executive director and three independent non-executive Directors, namely Mr. Wu Kam Bun (Chairman), Mr. Li Chak Hung, Dr. Lui Sun Wing and Mr. Tang Koon Yiu Thomas.

The role and functions of the Nomination Committee are mainly as follows:

– review the structure, size and composition of the Board (including the skills, qualifications, knowledge and experience) on a regular basis and make recommendations to the Board regarding any proposed changes;

– identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

– make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors of the Company and succession planning for directors of the Company in particular the chairman and the chief executive officer of the Company;

– assess the independence of independent non-executive directors of the Company; and

– where the Board proposes a resolution to elect an individual as an independent non-executive director of the Company at a general meeting of the Company, the Committee should set out in the circular to the shareholders of the Company and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and, in particular, the reasons why they consider the individual to be independent.

The Nomination Committee shall meet at any time when necessary or desirable. During the year, no meeting of the nomination committee was held.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 2nd September 2006 with written terms of reference in compliance with the Code on Corporate Practices as set out in Appendix 14 of the Listing Rules. The members of the Remuneration Committee consist of one executive director and three independent non-executive Directors, namely Mr. Wu Kam Bun (Chairman), Mr. Li Chak Hung, Dr. Lui Sun Wing and Mr. Tang Koon Yiu Thomas.

The role and functions of the Remuneration Committee are mainly as follows:

– make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

– review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

- have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management of the Group, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors of the Group. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. A significant proportion of the remuneration of the executive directors of the Group should be structured so as to link rewards to corporate and individual performance;

- review and approve the compensation payable to executive directors and senior management of the Group in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive to the Group;

- review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

- ensure that no director of the Company or any of his associate is involved in deciding his own remuneration; and

- the Remuneration Committee shall advise shareholders of the Company on how to vote with respect to any service contracts of the directors of the Company that require shareholders' approval under Rule 13.68 of the Listing Rules.

The Remuneration Committee shall meet at any time when necessary or desirable. During the year, no meeting of the remuneration committee was held.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company had adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the year ended 31st December 2007.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board has overall responsibility to maintain a sound and effective internal controls of the Company to safeguard the shareholders' investments and the Company's assets. The Company will continue to review its internal control function on a regular basis.

During the year, the Company has engaged CK Fung CPA Limited to review the system of internal control.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The Chairman of the Board and the chairman of Audit Committee will make themselves available at the annual general meeting to meet with shareholders. The Company will ensure that there are separate resolutions for separate issues at general meetings.

Forthcoming annual general meeting will be held on 22nd May 2008. The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirement.

VOTING BY POLL

The Company informs the shareholders in the circular convening the forthcoming annual general meeting the procedures for voting for poll and to ensure shareholders will be informed details of poll voting procedures.

Pursuant to article 66 of the Articles of Association of the Company, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the shareholders present in person, but a poll may be demanded (before or upon the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):

(a) by the chairman of such meeting; or

(b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a member.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF SMART UNION GROUP (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Smart Union Group (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 82, which comprise the consolidated and Company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd April 2008

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**66,408**	43,245
Land use rights	8	**4,849**	4,516
Intangible assets	9	**2,967**	632
Available-for-sale financial assets	12	**2,342**	5,120
Prepayments, deposits and other receivables	15	**11,261**	276
Deferred income tax assets	23	**749**	134
		88,576	53,923
Current assets			
Inventories	13	**379,440**	240,322
Trade receivables	14	**165,438**	104,029
Prepayments, deposits and other receivables	15	**19,022**	12,857
Derivative financial instruments	26	**213**	1,247
Convertible bonds	16	**40,000**	–
Current income tax recoverable		**1,046**	737
Pledged bank deposits	17	**5,234**	5,267
Cash and cash equivalents	18	**101,584**	64,882
		711,977	429,341
Total assets		**800,553**	483,264

The notes on pages 31 to 82 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	**34,248**	24,000
Share premium	20	**177,137**	30,742
Other reserves	20	**29,293**	25,830
Retained earnings	20	**76,112**	85,832
		316,790	166,404
Minority interest		**1,370**	607
Total equity		**318,160**	167,011
LIABILITIES			
Non-current liabilities			
Borrowings	21	**201**	2,749
Provision for long service payment	22	**1,104**	–
		1,305	2,749
Current liabilities			
Trade payables	24	**195,631**	158,837
Other payables and accruals	25	**43,333**	24,113
Borrowings	21	**239,768**	130,554
Derivative financial instruments	26	**2,356**	–
		481,088	313,504
Total liabilities		**482,393**	316,253
Total equity and liabilities		**800,553**	483,264
Net current assets		**230,889**	115,837
Total assets less current liabilities		**319,465**	169,760

On behalf of the Board

Wu Kam Bun
Director

Lai Chiu Tai
Director

The notes on pages 31 to 82 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10	**80,422**	80,422
Current assets			
Prepayments	15	**13**	195
Amounts due from subsidiaries	37(c)	**170,673**	31,996
Cash and cash equivalents	18	**42,605**	21,395
		213,291	53,586
Total assets		**293,713**	134,008
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	**34,248**	24,000
Share premium	20	**177,137**	30,742
Other reserves	20	**80,443**	78,922
Retained earnings	20	**575**	344
Total equity		**292,403**	134,008
LIABILITIES			
Current liabilities			
Other payables and accruals	25	**75**	–
Amount due to a subsidiary	37(c)	**1,235**	–
		1,310	–
Total liabilities		**1,310**	–
Total equity and liabilities		**293,713**	134,008
Net current assets		**211,981**	53,586
Total assets less current liabilities		**292,403**	134,008

On behalf of the Board

Wu Kam Bun
Director

Lai Chiu Tai
Director

The notes on pages 31 to 82 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Sales	5 & 6	**953,623**	727,225
Cost of sales	28	**(839,734)**	(604,952)
Gross profit		**113,889**	122,273
Other income	27	**12,320**	1,906
Other (losses)/gains, net	27	**(1,893)**	1,804
Administrative expenses	28	**(96,704)**	(78,973)
Operating profit		**27,612**	47,010
Finance costs	29	**(19,035)**	(11,242)
Profit before tax		**8,577**	35,768
Income tax expense	30	**(3,134)**	(5,136)
Profit for the year		**5,443**	30,632
Attributable to:			
Equity holders of the Company	32	**4,680**	30,025
Minority interest		**763**	607
		5,443	30,632
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic *(HK$)*	33	**0.02**	0.15
– diluted *(HK$)*	33	**0.02**	0.15
Dividends	34	**–**	14,400

The notes on pages 31 to 82 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2007

	Attributable to the equity holders of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
Balance at 1st January 2006	1,500	–	25,767	65,807	93,074	–	93,074
Revaluation of available-for-sale financial assets	–	–	121	–	121	–	121
Currency translation differences	–	–	(58)	–	(58)	–	(58)
Profit for the year	–	–	–	30,025	30,025	607	30,632
Total recognised income for 2006	–	–	63	30,025	30,088	607	30,695
Net proceeds from issuance of new shares	6,000	47,242	–	–	53,242	–	53,242
Capitalisation upon issue of new shares	16,500	(16,500)	–	–	–	–	–
Dividend relating to 2005	–	–	–	(10,000)	(10,000)	–	(10,000)
	22,500	30,742	–	(10,000)	43,242	–	43,242
Balance at 31st December 2006	24,000	30,742	25,830	85,832	166,404	607	167,011
Balance at 1st January 2007	24,000	30,742	25,830	85,832	166,404	607	167,011
Revaluation of available-for-sale financial assets	–	–	191	–	191	–	191
Gain on disposal of available-for-sale financial assets	–	–	30	–	30	–	30
Currency translation differences	–	–	1,721	–	1,721	–	1,721
Profit for the year	–	–	–	4,680	4,680	763	5,443
Total recognised income for 2007	–	–	1,942	4,680	6,622	763	7,385
Net proceeds from issuance of new shares	10,240	146,314	–	–	156,554	–	156,554
Share-based compensation	–	–	1,547	–	1,547	–	1,547
Issue of shares upon exercise of share option	8	81	(26)	–	63	–	63
Dividends relating to 2006	–	–	–	(14,400)	(14,400)	–	(14,400)
	10,248	146,395	1,521	(14,400)	143,764	–	143,764
Balance at 31st December 2007	34,248	177,137	29,293	76,112	316,790	1,370	318,160

The notes on pages 31 to 82 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35	**(108,626)**	6,277
Interest paid		**(19,035)**	(11,242)
Profits tax paid		**(4,617)**	(8,866)
Profits tax refund		**561**	18
Net cash used in operating activities		**(131,717)**	(13,813)
Cash flows from investing activities			
Purchase and construction of property, plant and equipment		**(29,105)**	(21,950)
Proceeds from disposal of property, plant and equipment	35	**–**	131
Purchase of land use rights		**–**	(4,593)
Increase in intangible assets		**(3,396)**	(886)
Purchase of available-for-sale financial assets		**–**	(2,000)
Proceeds from disposal of available-for-sale financial assets		**2,999**	–
Decrease/(increase) in pledged deposits		**33**	(2,430)
Investments in convertible bonds		**(40,000)**	–
Acquisition deposit of a company and related expenses		**(10,755)**	–
Interest received		**1,345**	764
Net cash used in investing activities		**(78,879)**	(30,964)
Cash flows from financing activities			
Proceeds from new borrowings		**1,129,131**	357,626
Repayment of borrowings		**(1,022,152)**	(293,683)
Decrease in amounts due to directors		**–**	(3,456)
Decrease in amount due to a related company		**–**	(266)
Dividends paid		**(14,400)**	(21,000)
Issue of shares		**160,055**	66,000
Payment of share issuance expenses		**(3,438)**	(12,758)
Net cash generated from financing activities		**249,196**	92,463
Net increase in cash and cash equivalents		**38,600**	47,686
Cash and cash equivalents at 1st January		**56,738**	9,110
Exchange losses on cash and cash equivalents		**(1,585)**	(58)
Cash and cash equivalents at 31st December	18	**93,753**	56,738

The notes on pages 31 to 82 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Smart Union Group (Holdings) Limited (the "Company") 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 ("HKSE") on 29th September 2006.

The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of recreational and educational toys and equipment. Details of the subsidiaries of the Group are set out in Note 10 to the consolidated financial statements.

Pursuant to an agreement dated 1st September 2006, the Company acquired the entire issued capital of Smart Union Investments Limited through a share swap, and became the holding company of the companies now comprising the Group (the "Reorganisation").

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23rd April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Smart Union Group (Holdings) Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) *Standard, amendment to standard and interpretations that have become effective in 2007*

The following standard, amendment and interpretations to published standards are mandatory for accounting periods beginning on or after 1st January 2007 and are relevant to the Group's operations:

- HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosure, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables. The adoption of HKFRS 7 and the amendment to HKAS 1 does not result in any change in Group's accounting policies other than certain additional disclosures;

- HK(IFRIC)–Int 8, Scope of HKFRS 2, requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The adoption of this interpretation does not have any impact on the Group's financial statements; and

- HK(IFRIC)–Int 10, Interim Financial Reporting and Impairment, prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of this interpretation does not have any impact on the Group's financial statements.

(b) *Interpretations to existing standards that have become effective in 2007 but not relevant to the Group's operations*

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC)–Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies; and

- HK(IFRIC)–Int 9, Reassessment of Embedded Derivatives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *New standard, amendments to standards and interpretations that are not yet effective and have not been early adopted by the Group*

The following new standard, amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1st January 2009), requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1st January 2009;

- HKAS 23 (Amendment), Borrowing Costs (effective for annual periods beginning on or after 1st January 2009). The main change from the previous version is the removal of the option of immediate recognition as an expense of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group will apply HKAS 23 (Amendment) from 1st January 2009;

- HKAS 27 (Revised), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st July 2009), requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1st January 2010;

- HKFRS 2 (Amendment), Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1st January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 (Amendment) from 1st January 2009;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) New standard, amendments to standards and interpretations that are not yet effective and have not been early adopted by the Group (Continued)

- HKFRS 3 (Revised), Business Combination (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July 2009), may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1st January 2010;

- HKFRS 8, Operating Segments (effective for annual periods beginning on or after 1st January 2009), replaces HKAS 14. The new standard uses a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January 2009. The adoption of this standard impacts the format and extent of segment reporting disclosures presented in the financial statements. The impact is expected that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker;

- HK(IFRIC)–Int 11, HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007), provides guidance on whether share-based transactions involving treasury shares or involving group entities (for instance, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions. The Group will apply HK(IFRIC)–Int 11 from 1st January 2008. The adoption of this interpretation does not have any impact on the Group's existing accounting policies.

The Group has commenced, but not yet completed, an assessment of the impact of the new standard, amendments to standards and interpretations on its results of operations and financial position. The directors are of the view that the impact on the consolidated financial statements will not be significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) *Interpretations to existing standards that are not yet effective and not relevant to the Group's operations*

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods but are not relevant to the Group's operations:

- HK(IFRIC)–Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008), sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group's operations;

- HK(IFRIC)–Int 13, "Customer loyalty programmes" (effective for annual periods beginning on or after 1st July 2008), clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)–Int 13 is not relevant to the Group's operations; and

- HK(IFRIC)–Int 14, HKAS19 – "The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective for annual periods beginning on or after 1st January 2008), provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding. HK(IFRIC)–Int 14 is not relevant to the Group's operations.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December.

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred in the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	25 years
Leasehold improvements	5 years or the lease period, whichever is shorter
Plant and machinery	5-10 years
Office equipment, furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Construction in progress

Construction in progress represents buildings, various plant and machinery under construction and pending installation, and is stated at cost less accumulated impairment losses, if any. Cost comprises direct costs of construction as well as capitalised borrowing costs, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the construction period.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets

Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product based on the number of units sold over the total units expected to be sold.

2.8 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the balance sheet. (Notes 2.12 and 2.13)

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other (losses)/ gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 2.12.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as hedging instrument, and if so, the nature of the item being hedged.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

Derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within "other (losses)/gains, net".

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Trade payable

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits

(a) Pension obligations

(i) Hong Kong

The Group participates in a mandatory provident fund ("MPF scheme") for its employees in Hong Kong. The assets of MPF scheme are held separately from those of the Group in an independent administered fund.

Both the Group and the employees are required to contribute 5% of the employee's relevant income, subject to a maximum of HK$1,000 per employee per month. The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund is available.

(ii) The People's Republic of China (the "PRC")

The Group participates in a defined contribution scheme administrated by the relevant authority of the PRC. Contributions to the scheme are calculated as a percentage of employees' salaries. The Group's contributions to the defined contribution retirement scheme are expensed as incurred. The Group has no further obligation in connection with other retirement benefits.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) *Sales of goods and scrap materials*

Sales of goods and scrap materials are recognised when a group entity has delivered the products to the customer; the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) *Compensation income from a customer*

Compensation income is recognised based on the terms agreed with a customer.

2.21 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.22 Lease

(a) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Land use rights represent prepaid lease payments for the use of land in the PRC and is amortised over the unexpired terms of the leases on a straight-line basis. Amortisation of land use rights are expensed in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Lease *(Continued)*

(b) *Finance lease*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged in the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) *Foreign exchange risk*

The Group mainly operates in Hong Kong and the PRC. Sales are made to overseas customers while purchases are mainly from suppliers in Hong Kong, the PRC and overseas. The Group is therefore exposed to foreign exchange risk arising from various currency exposures such as United States Dollar ("US$") and Renminbi ("RMB"), primarily with respect to Hong Kong dollars which is the Company's functional and presentation currency. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

In the opinion of the directors, as Hong Kong dollars are reasonably stable with US$ under the Linked Exchange Rate System, the management considers the Group's foreign exchange risk arisen from US$ is low.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(i) Foreign exchange risk (Continued)

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. At 31st December 2007, if Hong Kong dollars had strengthened/ weakened by 5% against RMB with all other variables held constant, profit for the year would have been HK$1,078,000 (2006: HK$680,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated, deposits and other receivables, cash and cash equivalents, trade payables and other payables and accruals. The net assets at year end would have been HK$2,128,000 (2006: HK$1,580,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses certain foreign exchange derivative contracts to manage their foreign exchange risk.

(ii) Credit risk

The credit risk of the Group mainly arises from available-for-sale financial assets, derivative financial instruments, pledged bank deposits and cash and cash equivalents with banks and financial institutions, as well as credit exposures to customers such as trade receivables. The carrying amount of available-for-sale financial assets, derivative financial instruments, pledged bank deposits and trade receivables in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The maximum exposure to credit risk of cash and cash equivalents is disclosed in Note 18.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Although sales to large or long-established customers with good repayment history comprise a significant proportion of the Group's sales, the Group has policies on granting different settlement methods to different customers.

As at 31st December 2007, counterparties for available-for-sale financial assets, derivative financial instruments, pledged bank deposits and cash and cash equivalents are limited to financial institutions with high credit ratings. In the opinion of the directors, the credit risk is minimal.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Less than 1 year:		
– Trade payables *(Note 24)*	**195,631**	158,837
– Other payables and accruals *(Note 25)*	**43,333**	24,113
– Borrowings *(Note 21)*	**239,768**	130,554
	478,732	313,504
Between 1 and 5 years:		
– Borrowings *(Note 21)*	**201**	2,749

(iv) Cash flow and fair value interest rate risk

Except as disclosed below, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from pledged bank deposits, cash and cash equivalents and borrowings. The Group regularly seeks out the most favourable interest rates available for its bank deposits, bank balances and borrowings. Bank deposits, bank balances and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's pledged bank deposits, cash and cash equivalents and borrowings are disclosed in Notes 17, 18 and 21. As at 31st December 2007, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been HK$404,000 (2006: HK$231,000) lower/higher, mainly as a result of higher/lower interest income on pledged bank deposits and cash and cash equivalents and interest expenses on floating rate borrowings.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 31st December 2007 and 2006 were as follows:

	2007	2006
	HK$'000	*HK$'000*
Total borrowings *(Note 21)*	**239,969**	133,303
Less: Cash and cash equivalents *(Note 18)*	**(101,584)**	(64,882)
Net debt	**138,385**	68,421
Total equity	**318,160**	167,011
Total capital	**456,545**	235,432
Gearing ratio	**30%**	29%

3.3 Fair value estimation

The fair value of available-for-sale financial assets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of foreign exchange derivative contracts is determined by using valuation techniques. The Group makes assumptions that are based on certain financial principles and market conditions existing at each balance sheet date.

The carrying amounts of the Group's financial assets and financial liabilities under current assets and liabilities approximate their fair values due to their short maturities. The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial assets, including non-current portion of deposits and other receivables, and financial liabilities including non-current portion of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of non-current deposits and other receivables and borrowings are disclosed in Notes 15 and 21.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair values less cost to sell. These calculations require the use of judgements and estimates.

Management judgement is required in impairment of assets particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Provision for impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Management reassesses the provision at each balance sheet date.

(e) Estimated fair values of foreign exchange derivative contracts

The Group determines the fair values of foreign exchange derivative contracts with a range of reasonable fair value estimates. Estimating the values associated with the foreign exchange derivative contracts requires a process that involves forecasting future foreign exchange rates. Any changes in assumptions and estimates can affect the fair values of these foreign exchange derivative contracts.

(f) Income taxes

The Group is subject to income taxes in the PRC and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 TURNOVER

	2007	2006
	HK$'000	*HK$'000*
Sales of goods	**953,623**	727,225

6 SEGMENT INFORMATION

Primary reporting format – business segments

The products and services provided by the Group are 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 year ended 31st December 2007.

6 SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segments

The Group primarily operates in Hong Kong and 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:

	2007	2006
	HK$'000	*HK$'000*
America	**638,708**	503,866
Europe	**208,916**	154,419
Others	**105,999**	68,940
	953,623	727,225

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:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**264,356**	177,027
The PRC	**536,197**	306,237
	800,553	483,264

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

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

	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**952**	481
The PRC	**28,153**	21,469
	29,105	21,950

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

7 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2006							
Cost	14,822	–	8,935	27,865	12,659	1,228	65,509
Accumulated depreciation	–	–	(7,505)	(20,162)	(8,074)	(805)	(36,546)
Net book amount	14,822	–	1,430	7,703	4,585	423	28,963
Year ended 31st December 2006							
Opening net book amount	14,822	–	1,430	7,703	4,585	423	28,963
Additions	12,592	2,367	150	5,160	1,681	–	21,950
Disposals	–	–	(60)	(225)	(225)	–	(510)
Transfers	(21,962)	17,875	937	3,035	115	–	–
Depreciation	–	(202)	(1,223)	(3,729)	(1,788)	(216)	(7,158)
Closing net book amount	5,452	20,040	1,234	11,944	4,368	207	43,245
At 31st December 2006							
Cost	5,452	20,242	6,333	34,484	13,156	1,229	80,896
Accumulated depreciation	–	(202)	(5,099)	(22,540)	(8,788)	(1,022)	(37,651)
Net book amount	5,452	20,040	1,234	11,944	4,368	207	43,245
Year ended 31st December 2007							
Opening net book amount	5,452	20,040	1,234	11,944	4,368	207	43,245
Additions	21,474	562	540	4,451	1,544	534	29,105
Disposals	–	–	–	(53)	(37)	–	(90)
Transfers	(22,734)	21,106	1,628	–	–	–	–
Depreciation	–	(1,099)	(1,404)	(4,994)	(1,075)	(212)	(8,784)
Exchange differences	335	2,333	7	245	12	–	2,932
Closing net book amount	4,527	42,942	2,005	11,593	4,812	529	66,408
At 31st December 2007							
Cost	4,527	44,291	8,510	37,586	14,567	1,762	111,243
Accumulated depreciation	–	(1,349)	(6,505)	(25,993)	(9,755)	(1,233)	(44,835)
Net book amount	4,527	42,942	2,005	11,593	4,812	529	66,408

Depreciation expense of HK$7,400,000 (2006: HK$5,753,000) has been charged in cost of sales and HK$1,384,000 (2006: HK$1,405,000) in administrative expenses.

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	2007	2006
	HK$'000	*HK$'000*
Motor vehicles		
Cost – capitalised finance leases	**850**	316
Accumulated depreciation	**(204)**	(135)
Net book amount	**646**	181

8 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1st January	**4,516**	–
Additions	**–**	4,593
Amortisation of prepaid operating lease payments	**(69)**	(77)
Currency translation differences	**402**	–
At 31st December	**4,849**	4,516
Analysed as:		
Land use rights in the PRC of between 10 to 50 years	**4,849**	4,516

9 INTANGIBLE ASSETS

	Group	
	2007	2006
	HK$'000	*HK$'000*
As at 1st January		
Cost	**886**	–
Accumulated amortisation	**(254)**	–
Net book amount	**632**	–
Year ended 31st December		
Opening net book amount	**632**	–
Additions	**3,396**	886
Disposals	**(144)**	–
Amortisation expense	**(567)**	(254)
Impairment	**(350)**	–
Closing net book amount	**2,967**	632
As at 31st December		
Cost	**4,138**	886
Accumulated amortisation and impairment	**(1,171)**	(254)
Net book amount	**2,967**	632

Intangibles represent capitalised toys development costs.

Amortisation of intangible assets is charged to cost of sales.

10 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Investments, at cost:		
Unlisted shares	**80,422**	80,422

10 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of the subsidiaries at 31st December 2007:

Company name	Place of incorporation/ establishment	Issued/ registered and fully paid up share capital/ paid-in capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operation
Smart Union Investments Limited	British Virgin Islands	US$4,000,000	100%	–	Investment holding in Hong Kong
Amart International Company Limited	Hong Kong	HK$10,000	–	100%	Inactive
Current Creation Limited	Hong Kong	HK$2	–	100%	Inactive
Dream Link Limited	Hong Kong	HK$1,000,000	–	69%	Trading of gifts in Hong Kong
Perfect Design and Product Development Limited	Hong Kong	HK$10,000	–	100%	Manufacturing and design of toy moulds in the PRC
Smart Union China Investments Limited	Hong Kong	HK$10,000	–	100%	Investment holding in Hong Kong
Smart Union Group Limited	Hong Kong	HK$10,000	–	100%	Investment holding in Hong Kong
Smart Union (Hong Kong) Limited	Hong Kong	HK$10,000	–	100%	Provision of management services in Hong Kong
Smart Union Industrial Limited	Hong Kong	HK$10,000	–	100%	Manufacturing and trading of toys in the PRC and Hong Kong
Smart Union Mining Investments Limited	British Virgin Islands	US$1	–	100%	Investment holding in Hong Kong

10 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ establishment	Issued/ registered and fully paid up share capital/ paid-in capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operation
Smart Union (Qingyuan) Industrial Limited	The PRC	Registered capital of HK$30,000,000 with total paid up capital of HK$30,000,000	–	100%	Manufacturing of toys in the PRC
Topmark Industrial Limited	Hong Kong	HK$10,000	–	100%	Trading of toys in Hong Kong
Worldtrade Promotions Limited	Hong Kong	HK$10,000	–	100%	Trading of promotional products in Hong Kongs

11 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Group			
	Loans and receivables *HK$'000*	Assets at fair value through the profit and loss *HK$'000*	Available-for-sale *HK$'000*	Total *HK$'000*
Assets as per consolidated balance sheet				
31st December 2007				
Available-for-sale financial assets *(Note 12)*	–	–	2,342	2,342
Trade receivables *(Note 14)*	165,438	–	–	165,438
Deposits and other receivables *(Note 15)*	21,072	–	–	21,072
Derivative financial instruments *(Note 26)*	–	213	–	213
Convertible bonds *(Note 16)*	–	40,000	–	40,000
Pledged bank deposits *(Note 17)*	5,234	–	–	5,234
Cash and cash equivalents *(Note 18)*	101,584	–	–	101,584
	293,328	40,213	2,342	335,883

11 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Group			
	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets as per consolidated balance sheet				
31st December 2006				
Available-for-sale financial assets *(Note 12)*	–	–	5,120	5,120
Trade receivables *(Note 14)*	104,029	–	–	104,029
Deposits and other receivables *(Note 15)*	8,139	–	–	8,139
Derivative financial instruments *(Note 26)*	–	1,247	–	1,247
Pledged bank deposits *(Note 17)*	5,267	–	–	5,267
Cash and cash equivalents *(Note 18)*	64,882	–	–	64,882
	182,317	1,247	5,120	188,684

	Company Loans and receivables	
	2007	2006
	HK$'000	*HK$'000*
Assets as per balance sheet		
Amounts due from subsidiaries *(Note 37(c))*	**170,673**	31,996
Cash and cash equivalents *(Note 18)*	**42,605**	21,395
	213,278	53,391

	Group Other financial liabilities		Company Other financial liabilities	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Liabilities as per balance sheets				
Trade payables *(Note 24)*	**195,631**	158,837	**–**	–
Other payables and accruals *(Note 25)*	**43,333**	24,113	**75**	–
Borrowings *(Note 21)*	**239,969**	133,303	**–**	–
Derivative financial instruments *(Note 26)*	**2,356**	–	**–**	–
Amount due to a subsidiary *(Note 37(c))*	**–**	–	**1,235**	–
	481,289	316,253	**1,310**	–

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1st January	**5,120**	2,999
Additions	**–**	2,000
Disposal	**(2,969)**	–
Revaluation *(Note 20)*	**191**	121
At 31st December	**2,342**	5,120

Available-for-sale financial assets are denominated in Hong Kong dollars and represent unlisted investment funds in Hong Kong, which have been pledged for certain bank borrowings of the Group (Note 21).

The carrying amounts of available-for-sale financial assets approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of unlisted investment funds classified as available-for-sale financial assets. None of the available-for-sale financial assets is either past due or impaired.

13 INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**157,827**	99,210
Work in progress	**172,054**	105,834
Finished goods	**49,559**	35,278
	379,440	240,322

The carrying amounts of inventories that were carried at fair value less costs to sell as at 31st December 2007 amounted to approximately HK$4,699,000 (2006: HK$4,873,000).

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31st December 2007 and 2006 are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Cost of inventories	**835,953**	604,196

14 TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**166,445**	104,701
Less: provision for impairment of receivables	**(1,007)**	(672)
Trade receivables – net	**165,438**	104,029

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 31st December 2007 and 2006 are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**112,063**	78,737
31 – 60 days	**19,890**	5,670
61 – 90 days	**15,201**	11,394
91 days – 1 year	**17,226**	8,633
1 – 2 years	**2,065**	267
	166,445	104,701

As at 31st December 2007, trade receivables of HK$1,007,000 (2006: HK$672,000) were impaired. The amount of the provision was HK$1,007,000 as at 31st December 2007 (2006: HK$672,000). The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Past due by:		
Up to 6 months	**498**	17
Over 6 months	**509**	655
	1,007	672

14 TRADE RECEIVABLES *(Continued)*

The details of provision for impairment of receivables are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1st January	**672**	1,872
Additional provision	**558**	1,337
Reversal of provision	**(223)**	(1,190)
Write-off of provision	**–**	(1,347)
At 31st December	**1,007**	672

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement (Note 28). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As at 31st December 2007, trade receivables of HK$97,371,000 (2006: HK$39,834,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Past due by:		
0 – 30 days	**43,996**	14,542
31 – 60 days	**19,890**	5,670
61 – 90 days	**14,739**	11,394
Over 90 days	**18,746**	8,228
	97,371	39,834

Trade receivables are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong dollars	**112,737**	43,104
US$	**53,708**	61,597
	166,445	104,701

As at 31st December 2007, the Group had factored trade receivables of approximately HK$7,097,000 (2006: HK$27,350,000) to banks on a non-recourse basis. As the financial asset derecognition conditions as stipulated in HKAS 39 have been fulfilled, these factored receivables without recourse are derecognised.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**9,211**	4,994	**13**	195
Deposits	**13,642**	3,701	**–**	–
Other receivables	**7,430**	4,438	**–**	–
	30,283	13,133	**13**	195
Less: non-current portion	**(11,261)**	(276)	**–**	–
Current portion	**19,022**	12,857	**13**	195

On 17th October 2007, Smart Union Mining Investments Limited, a wholly owned subsidiary of the Company, entered into an agreement (the "Agreement") with China Mining Corporation Limited (the "Target"), a company incorporated in the British Virgin Islands, and its shareholder for the acquisition of approximately 48.96% of the issued share capital of the Target for a total consideration of HK$309,355,000. Out of the total, HK$269,355,000 shall be applied for acquiring 22,755 shares of US$1.00 each in the issued share capital of the Target and the remaining HK$40,000,000 shall be applied for the subscription of zero coupon convertible bonds issued by the Target (Note 16). The principle activity of the Target is investment holding and its principle place of business is located in the PRC. The principle asset of the Target is its 95% beneficial interest in Fujian Tiancheng Mining Corporation ("Tiancheng"), a company established in the PRC, which is principally engaged in the exploration and exploitation of precious metals and mineral resources in the PRC. During the year, the Group paid a total of HK$10,755,000 as a deposit and related expenses for the acquisition, which is included within "deposits" as at 31st December 2007. The acquisition was subsequently completed on 14th January 2008.

Prepayments, deposits and other receivables are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**18,395**	4,724	**13**	195
RMB	**11,888**	8,409	**–**	–
	30,283	13,133	**13**	195

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

There are no prepayments, deposits and other receivables contained impaired assets.

16 CONVERTIBLE BONDS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Zero coupon convertible bonds	**40,000**	–

The bonds were issued by the Target at the principle amount of HK$40,000,000. Upon maturity, the bonds can be converted into 3,379 conversion shares of US$1.00 each in the share capital of China Mining Corporation Limited ("Conversion Shares"). Pursuant to the terms and conditions of the Agreement, the Target undertakes to and covenants with Smart Union Mining Investments Limited that (i) the Target will become the legal and beneficial owner of the 95% interests in the registered capital of Tiancheng on or before 30th April 2008 (or such other date as agreed in writing between both parties); and (ii) it will procure Tiancheng to obtain the mining license and any other necessary approvals and consents for the mining of the mine on or before 30th April 2008 (or such other date as agreed in writing between both parties) (the "Target's Undertakings"). In the event that the Target's Undertakings cannot be fulfilled on or before the maturity date, Smart Union Mining Investments Limited is entitled to demand the Target to redeem the Convertible bonds at its principal amount in full. In the event that all the Target's Undertakings have been fulfilled on or before 30th April 2008 (or such other date as agreed in writing between both parties), Smart Union Mining Investments Limited shall convert the convertible bonds in full at the conversion price and the Target shall allot and issue the Conversion Shares to Smart Union Mining Investments Limited.

The carrying amount of the convertible bonds approximates the fair value.

17 PLEDGED BANK DEPOSITS

The effective interest rate on pledged bank deposits as at 31st December 2007 was 3.8% (2006: 3.8%). These pledged deposits for bank borrowings are denominated in Hong Kong dollars and have an average maturity of 60 days (2006: 60 days) (Note 21).

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and on hand	**101,584**	64,882	**42,605**	21,395
Maximum exposure to credit risk	**101,388**	64,081	**42,605**	21,395

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**63,588**	42,187	**42,605**	21,395
US$	**22,153**	11,824	**–**	–
RMB	**15,843**	10,871	**–**	–
	101,584	64,882	**42,605**	21,395

Cash at banks earns interest at floating rates based on daily bank deposit rates.

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

	2007	2006
	HK$'000	*HK$'000*
Bank balances and cash	**101,584**	64,882
Less: bank overdrafts *(Note 21)*	**(7,831)**	(8,144)
Cash and cash equivalents	**93,753**	56,738

19 SHARE CAPITAL

(a) Authorised and issue share capital

	Number of shares	Nominal value *HK$'000*
Authorised – ordinary shares of HK$0.1 each		
As at 31st December 2007 and 2006	2,000,000,000	200,000
Issued and fully paid – ordinary shares of HK$0.1 each		
Upon incorporation *(Note (i))*	1	–
Issuance of shares upon the Reorganisation *(Note (i))*	14,999,999	1,500
New shares issued upon initial public offering *(Note (ii))*	60,000,000	6,000
Capitalisation upon issue of new shares *(Note (iii))*	165,000,000	16,500
As at 31st December 2006	240,000,000	24,000
As at 1st January 2007	240,000,000	24,000
Issue of shares upon exercise of shares option *(Note 19(b))*	80,000	8
Issue of shares *(Note (iv))*	32,400,000	3,240
Issue of shares *(Note (v))*	70,000,000	7,000
As at 31st December 2007	342,480,000	34,248

Notes:

(i) The Company was incorporated on 8th March 2006 with an ordinary share of HK$0.1 allotted and issued for cash at par. On 1st September 2006, 14,999,999 shares of HK$0.1 each were alloted, issued and credited as fully paid at par.

(ii) On 29th September 2006, the Company issued 60,000,000 shares of HK$0.1 each at approximately HK$1.1 per share in connection with the listing of the Company's shares on the HKSE (the "Listing"), and raised net proceeds of approximately HK$53 million.

(iii) Immediately after the Listing, 165,000,000 shares were allotted and issued, credited as fully paid at par value of HK$0.1 each to the then shareholders of the Company in proportion to their respective shareholdings, by the capitalisation of HK$0.1 from the share premium account. Such allotment and capitalisation were conditional upon the share premium account being credited as a result of the new shares issued in connection with the Listing as described in Note (ii) above.

19 SHARE CAPITAL *(Continued)*

(a) Authorised and issue share capital *(Continued)*

(iv) On 12th June 2007, Smart Place Investments Limited ("SPI") entered into a placing agreement and a subscription agreement with Sun Hung Kai International Limited and the Company respectively. Pursuant to the subscription agreement, SPI conditionally agreed to subscribe for an aggregate of 32,400,000 shares at a price of HK$1.33 per share. The placing of 32,400,000 existing shares by SPI was completed on 15th June 2007 and 32,400,000 new shares were issued and allotted to SPI on 25th June 2007.

(v) On 17th July 2007, the Company entered into the conditional placing agreement with China Everbright Securities (HK) Limited for the placing of up to an aggregate of 70,000,000 new shares to the placees at the placing price of HK$1.67 per placing share. A total of 70,000,000 new shares have been fully placed and completion of the placing took place on 19th November 2007.

(b) 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 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.

(i) 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 maximum vesting periods of 3 years, and the expiry date is on 26th April 2017.

(ii) Movements in the above share options are as follows:

	Number of share options
Granted on 27th April 2007	10,100,000
Exercised	(80,000)
Lapsed	(240,000)
Balance at 31st December 2007	9,780,000

20 RESERVES

(a) Group

	Share premium HK$'000	Share-based equity reserves HK$'000	Available-for-sale financial assets reserves HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000 Note (i)	Retained earnings HK$'000	Total HK$'000
At 1st January 2006	–	–	–	247	25,520	65,807	91,574
Revaluation of available-for-sale financial assets *(Note 12)*	–	–	121	–	–	–	121
Currency translation differences	–	–	–	(58)	–	–	(58)
Profit for the year attributable to equity holders of the Company	–	–	–	–	–	30,025	30,025
Net proceeds from issuance of new shares	47,242	–	–	–	–	–	47,242
Capitalisation of share premium *(Note 19(a)(iii))*	(16,500)	–	–	–	–	–	(16,500)
Dividend relating to 2005	–	–	–	–	–	(10,000)	(10,000)
At 31st December 2006	30,742	–	121	189	25,520	85,832	142,404

	Share premium HK$'000	Share-based equity reserves HK$'000	Available-for-sale financial assets reserves HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000 Note (i)	Retained earnings HK$'000	Total HK$'000
At 1st January 2007	30,742	–	121	189	25,520	85,832	142,404
Revaluation of available-for-sale financial assets *(Note 12)*	–	–	191	–	–	–	191
Gain on disposal of available-for-sale financial assets	–	–	30	–	–	–	30
Currency translation differences	–	–	–	1,721	–	–	1,721
Profit for the year attributable to equity holders of the Company	–	–	–	–	–	4,680	4,680
Net proceeds from issuance of new shares	146,314	–	–	–	–	–	146,314
Share-based compensation	–	1,547	–	–	–	–	1,547
Issue of shares upon exercise of share option	81	(26)	–	–	–	–	55
Dividends relating to 2006	–	–	–	–	–	(14,400)	(14,400)
At 31st December 2007	177,137	1,521	342	1,910	25,520	76,112	282,542

20 RESERVES *(Continued)*

(b) Company

	Share premium *HK$'000*	Share-based equity reserves *HK$'000*	Merger reserve *HK$'000* *Note (ii)*	Retained earnings *HK$'000*	Total *HK$'000*
At 8th March 2006 (date of incorporation)	–	–	–	–	–
Profit for the period attributable to equity holders of the Company	–	–	–	344	344
Reserve from reorganisation	–	–	78,922	–	78,922
Net proceeds from issuance of new shares	47,242	–	–	–	47,242
Capitalisation of share premium *(Note 19(a)(iii))*	(16,500)	–	–	–	(16,500)
At 31st December 2006	30,742	–	78,922	344	110,008
At 1st January 2007	30,742	–	78,922	344	110,008
Profit for the year attributable to equity holders of the Company	–	–	–	14,631	14,631
Net proceeds from issuance of new shares	146,314	–	–	–	146,314
Share-based compensation	–	1,547	–	–	1,547
Issue of shares upon exercise of share option	81	(26)	–	–	55
Dividends relating to 2006	–	–	–	(14,400)	(14,400)
At 31st December 2007	177,137	1,521	78,922	575	258,155

Notes:

(i) On 30th December 2002, Smart Union Investments Limited issued certain shares to the then shareholders of certain subsidiaries now comprising the Group in exchange for their equity interests in such companies and became the intermediate holding company.

On 1st September 2006, the Company issued 14,999,999 shares of HK$0.1 each as consideration for the acquisition of 4,000,000 shares of US$1 each in Smart Union Investments Limited.

The merger reserve of the Group represents the total of (i) the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of shares Smart Union Investments Limited issued on 30th December 2002; and (ii) the difference between the nominal value of the shares of Smart Union Investments Limited acquired and the nominal value of shares the Company issued on 1st September 2006 for the acquisition of Smart Union Investments Limited.

(ii) The Company's merger reserve represents the difference between the aggregate net asset value of Smart Union Investments Limited and the nominal value of the Company's shares issued for the acquisition of Smart Union Investments Limited through a share swap under the Reorganisation.

21 BORROWINGS

	Group 2007 HK$'000	2006 HK$'000
Non-current		
Bank borrowings, secured	**–**	2,650
Finance lease liabilities	**201**	99
	201	2,749
Current		
Bank overdrafts, secured *(Note 18)*	**7,831**	8,144
Short-term bank loans, secured	**35,000**	16,000
Trust receipt bank loans, secured	**136,197**	90,416
Current portion of non-current bank borrowings, secured	**2,650**	3,200
Factoring facilities utilised	**57,929**	12,730
Finance lease liabilities	**161**	64
	239,768	130,554
Total borrowings	**239,969**	133,303

Secured bank borrowings are secured by available-for-sale financial assets amounting to HK$2,342,000 as at 31st December 2007 (2006: HK$5,120,000) (Note 12), corporate guarantees executed by the Company and pledged bank deposits amounted to HK$5,234,000 as at 31st December 2007 (2006: HK$5,267,000) (Note 17).

The maturities of the Group's borrowings as at 31st December 2007 and 2006 are as follows:

	2007 HK$'000	2006 HK$'000
Within 1 year	**239,768**	130,554
Between 1 and 2 years	**201**	2,749
	239,969	133,303

21 BORROWINGS *(Continued)*

Finance lease liabilities – minimum lease payments:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 year	**185**	74
Between 1 and 2 years	**217**	104
	402	178
Future finance charges on finance leases	**(40)**	(15)
Present value of finance lease liabilities	**362**	163

The present value of finance lease liabilities is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 year	**161**	64
Between 1 and 2 years	**201**	99
	362	163

The effective interest rates of the Group's borrowings as at 31st December 2007 and 2006 are as follows:

	2007	2006
Bank overdrafts	**7.4%**	8.0%
Other bank borrowings	**5.9%**	7.5%
Finance lease liabilities	**2.7%**	3.3%

The carrying amounts of borrowings approximate their fair values, as the impact of discounting is not significant.

The Group's borrowings are all denominated in Hong Kong dollars and subject to floating interest-rate within 6 months.

22 PROVISION FOR LONG SERVICE PAYMENT

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1st January 2007	**–**	–
Additional provisions	**621**	–
Transfer from other payables and accruals	**483**	–
At 31st December 2007	**1,104**	–

The amount represents provision for long service payment for the eligible employees of the Group in Hong Kong.

The carrying amount of provision for long service payment approximates its fair value.

23 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Deferred income tax assets to be recovered after more than 12 months	**749**	134

The gross movement on the deferred income tax assets of the Group is as follows:

	2007	2006
	HK$'000	*HK$'000*
At 1st January	**134**	598
Recognised in the consolidated income statement *(Note 30)*	**615**	(464)
At 31st December	**749**	134

23 DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax assets and liabilities of the Group during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets:

	Provision for impairment of assets	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January 2006	882	194	1,076
Recognised in the consolidated income statement	(748)	(194)	(942)
At 31st December 2006	134	–	134
At 1st January 2007	134	–	134
Recognised in the consolidated income statement	1,077	–	1,077
At 31st December 2007	1,211	–	1,211

Deferred income tax liabilities:

	Accelerated depreciation allowances	
	2007	2006
	HK$'000	*HK$'000*
At 1st January	**–**	(478)
Recognised in the consolidated income statement	**(462)**	478
At 31st December	**(462)**	–

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. As at 31st December 2007, the Group did not recognise deferred income tax assets of HK$1,176,000 (2006: HK$988,000) in respect of losses amounting to HK$7,126,000 (2006: HK$5,646,000) that can be carried forward against future taxable income.

24 TRADE PAYABLES

The ageing analysis of trade payables as at 31st December 2007 and 2006 are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**79,381**	83,478
31 – 60 days	**39,323**	35,128
61 – 90 days	**40,624**	17,913
91 days – 1 year	**28,420**	18,862
1 – 2 years	**4,186**	2,405
Over 2 years	**3,697**	1,051
	195,631	158,837

Trade payables are denominated in the following currencies:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong dollars	**123,897**	112,950
US$	**4,561**	40,699
RMB	**67,173**	5,188
	195,631	158,837

The carrying amounts of trade payables approximate their fair values.

25 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**41,066**	19,251	**75**	–
Receipts in advance	**2,267**	4,862	**–**	–
	43,333	24,113	**75**	–

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**16,291**	11,881	**75**	–
RMB	**27,042**	12,232	**–**	–
	43,333	24,113	**75**	–

The carrying amounts of other payables and accruals approximate their fair values.

26 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2007		2006	
	Asset	**Liability**	Asset	Liability
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Foreign exchange derivative contracts – not qualified for hedge accounting at fair value	**213**	**2,356**	1,247	–

The total maximum notional principal amounts of the outstanding foreign exchange derivative contracts at 31st December 2007 are approximately HK$202,243,000 (2006: HK$69,599,000).

27 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Group	
	2007	2006
	HK$'000	*HK$'000*
Other income:		
– Sales of scrap materials	**7,294**	1,142
– Interest income on bank deposits	**1,345**	764
– Compensation income from a customer	**3,600**	–
– Sundry income	**81**	–
	12,320	1,906
Other (losses)/gains, net:		
– Unrealised (losses)/gains on derivative financial instruments	**(3,390)**	1,247
– Realised gains on derivative financial instruments	**1,497**	557
	(1,893)	1,804

28 EXPENSES BY NATURE

	Group	
	2007	2006
	HK$'000	*HK$'000*
Auditor's remuneration	**1,500**	1,080
Depreciation of property, plant and equipment *(Note 7)*	**8,784**	7,158
Amortisation of intangible assets *(Note 9)*	**567**	254
Impairment of intangible assets *(Note 9)*	**350**	–
Amortisation of land use rights *(Note 8)*	**69**	77
Raw materials used	**597,359**	449,104
Changes in inventories of finished goods and work in progress	**(81,431)**	(48,272)
Employee benefit expenses *(Note 31)*	**232,642**	140,267
Operating lease rentals for land and buildings	**11,024**	8,576
Exchange losses, net	**5,511**	5,577
Impairment of trade receivables	**335**	147
Inventory write-down	**3,781**	756
Others	**155,947**	119,201
Total cost of sales and administrative expenses	**936,438**	683,925

29 FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest expense:		
– Bank borrowings and overdrafts	**14,678**	10,443
– Factoring facilities	**4,664**	2,051
– Finance lease liabilities	**110**	16
	19,452	12,510
Less: interest capitalised	**(417)**	(1,268)
	19,035	11,242

Borrowing costs of approximately HK$417,000 arising on financing specifically entered into for the construction of new factories were capitalised during the year ended 31st December 2007 (2006: HK$1,268,000) and are included in the additions of property, plant and equipment. A capitalisation rate of 8% was used for the year ended 31st December 2007 (2006: 8%), representing the borrowing costs of the loans used to finance the project.

30 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit during the year. 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.

Pursuant to the processing agreements entered into with Dongguan City Zhangmutou Town Economic Development General Company on 26th November 1996 (as extension agreement dated 29th April 2002) and 18th August 2004 (the "Processing Agreements"), Smart Union Industrial Limited ("SUI") subcontracted certain processing work to 東莞樟木頭合俊玩具廠 ("Zhang Yang factory") and 東莞樟木頭俊領玩具廠 ("Po Shan factory") in the PRC. Pursuant to the settlement basis as agreed with the Inland Revenue Department of Hong Kong (the "IRD"), 50% of SUI's assessable profits arising from the manufacturing activities carried out by Zhang Yang factory and Po Shan factory under the Processing Agreements are considered as offshore in nature and are not subject to Hong Kong profits tax in accordance with the Departmental Interpretation and Practice Notes No.21 (Revised) – Locality of Profits issued by the IRD in March 1998.

Such offshore treatment is not applicable to the assessable profits arising from the processing activities subcontracted to other PRC sub-contractors, which are fully subject to Hong Kong profits tax. The portion of SUI's assessable profits allowable for the 50% offshore treatment is calculated by reference to the proportion of the direct labour, manufacturing overheads, mould costs and administrative expenses of Zhang Yang factory and Po Shan factory (collectively "Manufacturing Costs") to the aggregation of the Manufacturing Costs and the sub-contracting fees paid to other PRC sub-contractors. For the year ended 31 December 2007, the effective portion of SUI's assessable profits allowed as offshore and not subject to Hong Kong profits tax was 36.63% (2006: 37.06%).

30 INCOME TAX EXPENSE *(Continued)*

The amounts of income tax expense charged to the consolidated income statement represent:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profits tax	**2,315**	3,899
– PRC enterprise income tax	**1,497**	534
– (Over)/under-provision in prior years	**(63)**	239
Deferred income tax relating to the origination and reversal of temporary differences *(Note 23)*	**(615)**	464
	3,134	5,136

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the profits tax rate in Hong Kong as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**8,577**	35,768
Calculated at a tax rate of 17.5%	**1,501**	6,259
Effect of different taxation rates in other countries	**1,497**	251
Income not subject to tax	**(435)**	(1,696)
Expenses not deductible for tax purposes	**375**	317
Unrecognised tax losses	**341**	369
Utilisation of previously unrecognised tax losses	**(82)**	(603)
(Over)/under-provision in prior years	**(63)**	239
Income tax expense	**3,134**	5,136

31 EMPLOYEE BENEFIT EXPENSES

	Group 2007 HK$'000	Group 2006 HK$'000
Wages, salaries and other short-term employee benefits	**230,794**	139,413
Pension costs – defined contribution plans	**942**	854
Share-based compensation	**906**	–
	232,642	140,267

(a) Directors' and senior management's emoluments

The remuneration of each director of the Company for the year ended 31st December 2007 is set out below:

Name of Director	Basic salaries, housing allowances, share-based compensation, other allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
WU, Kam Bun	1,697	138	12	1,847
LAI, Chiu Tai	1,697	138	12	1,847
HO, Wai Wah	1,029	80	12	1,121
LO, Kwok Choi	1,725	138	12	1,875
WONG, Wai Chuen	1,088	80	12	1,180
LUI, Sun Wing	100	–	–	100
LI, Chak Hung	127	–	–	127
TANG, Koon Yiu Thomas	127	–	–	127
	7,590	574	60	8,224

31 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' and senior management's emoluments *(Continued)*

The remuneration of each director of the Company for the year ended 31st December 2006 is set out below:

Name of Director	Basic salaries, housing allowances, share-based compensation, other allowances and benefits in kind *HK$'000*	Discretionary bonus *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
WU, Kam Bun	1,656	198	12	1,866
LAI, Chiu Tai	1,656	198	12	1,866
HO, Wai Wah	960	140	12	1,112
LO, Kwok Choi	1,656	198	12	1,866
WONG, Wai Chuen	840	130	12	982
LUI, Sun Wing	33	–	–	33
LI, Chak Hung	33	–	–	33
TANG, Koon Yiu Thomas	33	–	–	33
	6,867	864	60	7,791

During the year, no directors of the Company waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 5 (2006: 5) directors whose emoluments are reflected in the analysis presented in Note (a) above.

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$14,631,000 (2006: HK$344,000).

33 EARNINGS PER SHARE

Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$4,680,000 (2006: HK$30,025,000) and on the weighted average number of 265,157,000 (2006: 195,452,000) ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company *(HK$'000)*	**4,680**	30,025
Weighted average number of ordinary shares in issue *(thousands)*	**265,157**	195,452
Basic earnings per share *(HK$)*	**0.02**	0.15

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
Profit attributable to equity holders of the Company *(HK$'000)*	**4,680**	30,025
Weighted average number of ordinary shares in issue *(thousands)*	**265,157**	195,452
Adjustments for share options *(thousands)*	**3,564**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**268,721**	195,452
Diluted earnings per share *(HK$)*	**0.02**	0.15

34 DIVIDENDS

	Group 2007 HK$'000	2006 HK$'000
Proposed special dividend of HK$Nil (2006: HK$0.022) per ordinary share	**–**	5,280
Proposed final dividend of HK$Nil (2006: HK$0.038) per ordinary share	**–**	9,120
	–	14,400

The dividends paid in 2007 and 2006 were HK$14,400,000 (HK$0.06 per share) and HK$23,000,000 (HK$5.75 per share) respectively. No dividend in respect of the year ended 31st December 2007 is to be proposed at the Annual General Meeting on 22nd May 2008.

35 CASH GENERATED FROM OPERATIONS

	2007 HK$'000	2006 HK$'000
Profit before tax	**8,577**	35,768
Adjustment for:		
– Depreciation on property, plant and equipment	**8,784**	7,158
– Loss on disposal of property, plant and equipment	**90**	379
– Amortisation of land use rights	**69**	77
– Amortisation of intangible assets	**567**	254
– Impairment of intangible assets	**350**	–
– Loss on disposal of intangible assets	**144**	–
– Gain on disposal of available-for-sales financial assets	**(30)**	–
– Unrealised losses/(gains) on derivative financial instruments	**3,390**	(1,247)
– Interest income	**(1,345)**	(764)
– Interest expense	**19,035**	11,242
– Share-based compensation	**1,547**	–
– Provision for long service payment	**621**	483
	41,799	53,350
Changes in working capital:		
– Inventories	**(139,118)**	(87,633)
– Trade receivables	**(61,409)**	(19,492)
– Prepayments, deposits and other receivables	**(6,395)**	3,909
– Amounts due from related companies	**–**	73
– Trade payables	**36,794**	46,911
– Other payables and accruals	**19,703**	9,159
Cash (used in)/generated from operations	**(108,626)**	6,277

35 CASH GENERATED FROM OPERATIONS *(Continued)*

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	2007 **HK$'000**	2006 *HK$'000*
Net book amount	**90**	510
Loss on disposal of property, plant and equipment	**(90)**	(379)
Proceeds from disposal of property, plant and equipment	**–**	131

36 COMMITMENTS

(a) Capital commitments

Capital expenditures at the balance sheet date but not yet incurred are as follows:

	Group	
	2007 **HK$'000**	2006 *HK$'000*
Property, plant and equipment – contracted but not provided for	**1,780**	10,754
Investment in China Mining Corporation Limited *(Note 15)* – contracted but not provided for	**261,355**	–

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2007 **HK$'000**	2006 *HK$'000*
Not later than one year	**1,911**	1,253
Later than 1 year and not later than 5 years	**1,463**	968
	3,374	2,221

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party transactions undertaken in connection with the directors' emoluments (Note 31(a)) as disclosed above, the Group had the following significant transactions carried out with related parties during the year.

(a) Transactions with related parties

In 2006, the Group charged Smart Place Investment Limited of approximately HK$2,552,000 for the placement of the Company's 12,000,000 shares (Note 19).

(b) Key management compensation

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**7,452**	7,632
Pension costs – defined contribution plans	**60**	60
Share-based compensation	**358**	–
	7,870	7,692

(c) Balances with subsidiaries

	Company	
	2007	2006
	HK$'000	*HK$'000*
Amounts due from subsidiaries:		
Smart Union (Hong Kong) Limited	**–**	180
Smart Union Industrial Limited	**140,263**	23,816
Smart Union Investments Limited	**16,400**	8,000
Smart Union China Investments Limited	**12,000**	–
Smart Union Mining Investments Limited	**2,010**	–
	170,673	31,996
Amount due to a subsidiary:		
Smart Union (Hong Kong) Limited	**1,235**	–

The amounts due from/(to) subsidiaries are denominated in Hong Kong dollars, unsecured, interest-free and have no fixed repayment terms. These subsidiaries have no default history.

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales	**953,623**	727,225	709,566	550,696	479,481
Cost of sales	**(839,734)**	(604,952)	(603,444)	(471,278)	(399,333)
Gross profit	**113,889**	122,273	106,122	79,418	80,148
Other income	**12,320**	1,906	5,265	812	2,500
Other (losses)/gains, net	**(1,893)**	1,804	–	–	–
Administrative expenses	**(96,704)**	(78,973)	(63,572)	(56,277)	(48,931)
Operating profit	**27,612**	47,010	47,815	23,953	33,717
Finance costs	**(19,035)**	(11,242)	(5,773)	(1,839)	(1,827)
Profit before tax	**8,577**	35,768	42,042	22,114	31,890
Income tax expense	**(3,134)**	(5,136)	(5,370)	(3,075)	(5,423)
Profit for the year	**5,443**	30,632	36,672	19,039	26,467
Attributable to:					
Equity holders of the Company	**4,680**	30,025	36,672	19,167	26,740
Minority interest	**763**	607	–	(128)	(273)
	5,443	30,632	36,672	19,039	26,467
Dividends	**–**	14,400	23,000	5,200	–

CONSOLIDATED BALANCE SHEET

	As at 31st December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**88,576**	53,923	36,456	17,994	16,703
Current assets	**711,977**	429,341	264,771	242,437	149,684
Current liabilities	**(481,088)**	(313,504)	(202,140)	(186,942)	(109,726)
Non-current liabilities	**(1,305)**	(2,749)	(6,013)	(4,334)	(1,345)
Minority Interest	**(1,370)**	(607)	–	–	(128)
Capital and reserves attributable to the Company's equity holders	**316,790**	166,404	93,074	69,155	55,188