

**SMART UNION GROUP (HOLDINGS) LTD:
IT IS A SMALL TOY COMPANY ...
AND IT IS 'SMART' TO GO PUBLIC WHILE IT STILL CAN**

There are 2 striking aspects about the flotation of Smart Union Group (Holdings) Ltd (()) (Code: 2700, Main Board, The Stock Exchange of Hongkong Ltd) that hits one the moment that the Company's Prospectus is scanned:

1. The Company's relatively large debt load, which is biting into the bottom line as debt service is, clearly, fast becoming a problem; and,
2. The fact that the Company lost money in the first half of this Financial Year.

With regard to Point Number One, in fact, part of the net proceeds of the September 19, 2006, cash-raising exercise will be used to reduce debt.

And, in respect of Point Number Two, Management has not commented – for obvious reasons.

The Float

Smart Union pitched its story in its Placing and Public Offer Prospectus when it Offered 72 million, 10-cent Shares at a price between \$HK1.00 per Share and \$HK1.20 per Share.

Of the total number of Shares on Offer, 12 million Shares were those, belonging to the Substantial Shareholders, all of whom are Executive Directors.

The investing public was Offered 7.20 million New Shares while 52.80 million New Shares were Placed with institutional investors.

The Prospectus, at Pages 152 and 153, state that the net proceeds, estimated to be about \$HK66 million, will be utilised as follows:

1. \$HK25 million *'for expansion of the production facilities in Qing Yuan, the PRC ...'*;
2. \$HK5 million *'will be used for the development of the ODM business'*;*
3. \$HK5 million *'will be used for enhancing the Group's production capacity, production standard and environment.'*;
4. \$HK13 million *'will be used for the repayment of bank borrowings';* and,
5. \$HK7 million *'will be used for general working capital of the Group'.*

* ODM = **O**riginal **D**esign **M**anufacturing

* SMT = **S**urface **M**ount **T**echnology

Smart Union is a company, engaged in the manufacture and trading of toys and recreational products on an OEM (**O**riginal **E**quipment **M**anufacturing) basis.

A breakdown on the Company's products is:

1. Hard and electronic toys for children (about 57 percent of sales in 2005);
2. Educational and recreational products (about 19 percent of sales in 2005);
3. Soft toys (about 9 percent of sales in 2005); and,
4. Sports products (about 10 percent of sales in 2005).

In addition, Smart Union produces bouncers, travelling bags, toys for teenagers and adults, and a variety of other odds and sods.

The Company was ... [CLICK TO ORDER FULL ARTICLE](#)

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