Seamless Green China (Holdings) Limited
無縫綠色中國(集團)有限公司

(Incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)

(Stock Code: 8150)

ANNUAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with GEM Listing Rules for the purpose of giving information with regard to the company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group recorded total turnover for the year ended 31 December 2011 of HK$47,050,000, representing approximately 44.6% growth over the corresponding period in 2010.
- The Group recorded an audited loss attributable to owners of the Company for the year ended 31 December 2011 of HK$50,546,000, representing an increase of loss of approximately 331.3% as compared to the corresponding period in 2010.
- The Directors do not recommend the payment of any dividends for the year ended 31 December 2011.

AUDITED ANNUAL RESULTS

The Directors of Seamless Green China (Holdings) Limited (the "Company" and together with its subsidiaries, hereinafter collectively referred to as the "Group") are pleased to announce the audited results of the Group for the year ended 31 December 2011 together with the comparative audited figures for the year ended 31 December 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	**2011** HK$'000	2010 HK$'000
Turnover	*4(a)*	**47,050**	32,543
Cost of sales		**(41,199)**	(26,766)
Gross profit		**5,851**	5,777
Other income and gains	*4(b)*	**1,970**	1,267
Gain on disposal of subsidiaries		**–**	447
Net (loss)/gain on financial assets at fair value through profit or loss		**(720)**	673
Loss on disposal of intangible asset		**(8,700)**	–
Purchase costs recognised as expense		**(2,413)**	–
Impairment losses on trade and other receivables		**(5,130)**	(246)
Selling and distribution costs		**(2,895)**	(2,117)
Administrative and other operating expenses		**(38,118)**	(17,451)
Loss from operations		**(50,155)**	(11,650)
Finance costs		**(28)**	(30)
LOSS BEFORE TAXATION	*6*	**(50,183)**	(11,680)
Income tax expense	*7*	**(363)**	(40)
LOSS FOR THE YEAR		**(50,546)**	(11,720)

	Note	2011 HK$'000	2010 HK$'000
Other comprehensive income (after tax):			
Exchange differences on translation of the financial statements of foreign subsidiaries, net of HK$nil tax		**924**	236
Surplus on revaluation of buildings held for own use, net of HK$134,000 tax		**535**	–
Other comprehensive income for the year		**1,459**	236
Total comprehensive expense for the year		**(49,087)**	(11,484)
Loss attributable to owners of the Company		**(50,546)**	(11,720)
Total comprehensive income attributable to owners of the Company		**(49,087)**	(11,484)
Loss per share attributable to the owners of the Company			
Basic and diluted	*9*	**(27.01 cents)**	(12.27 cents)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Non-current assets			
Property, plant and equipment		**15,761**	7,339
Intangible asset	*10*	**–**	–
Prepaid land lease payments		**537**	530
		16,298	7,869
Current assets			
Prepaid land lease payments		**17**	16
Inventories		**4,924**	5,768
Trade and other receivables	*11*	**16,902**	12,517
Financial assets at fair value through profit or loss		**–**	12,819
Cash and cash equivalents		**26,740**	3,526
		48,583	34,646
Current liabilities			
Bank overdrafts		**1,779**	–
Trade and other payables	*12*	**9,745**	13,930
Short-term loans		**4,520**	7,351
Current income tax payable		**2,438**	2,119
		(18,482)	(23,400)
Net current assets		**30,101**	11,246
Total assets less current liabilities		**46,399**	19,115
Non-current liabilities			
Deferred tax liabilities		**(134)**	–
NET ASSETS		**46,265**	19,115
CAPITAL AND RESERVES			
Share capital		**10,587**	7,083
Reserves		**35,678**	12,032
TOTAL EQUITY		**46,265**	19,115

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital *HK$'000*	Share premium *HK$'000*	Revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Share-based payment reserve *HK$'000*	Accumulated *HK$'000*	Total equity *HK$'000*
As at 1 January 2010	**4,240**	**7,984**	**–**	**1,505**	**–**	**(13,268)**	**461**
Loss for the year	–	–	–	–	–	(11,720)	(11,720)
Other comprehensive income for the year:							
Exchange difference on transition of the financial statements of foreign subsidiaries	–	–	–	236	–	–	236
Total comprehensive income/ (expense) for the year	–	–	–	236	–	(11,720)	(11,484)
Issue of shares	2,843	26,276	–	–	–	–	29,119
Recognition of equity-settled share-based payments	–	–	–	–	1,020	–	1,020
As at 31 December 2010 and at 1 January 2011	**7,083**	**34,260**	**–**	**1,741**	**1,020**	**(24,989)**	**19,115**
Loss for the year	–	–	–	–	–	(50,546)	(50,546)
Other comprehensive income for the year:							
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	–	924	–	–	924
Surplus on revaluation of buildings held for own use	–	–	535	–	–	–	535
Total comprehensive income for the year	–	–	535	924	–	–	1,459
Shares issue under placement, net of issuing cost of HK$1,935,000	3,150	65,265	–	–	–	–	68,415
Recognition of equity-settled share-based payments	–	–	–	–	1,393	–	1,393
Shares issued under exercise of share options	354	7,841	–	–	(1,766)	–	6,429
Lapse of share options	–	–	–	–	(340)	340	–
As at 31 December 2011	**10,587**	**107,366**	**535**	**2,665**	**307**	**(75,195)**	**46,265**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. Seamless Green China (Holdings) Limited was a limited liability company incorporated in the Cayman Islands on 18 January 2001 as an exempted company. The shares of the Company have been listed on the Growth Enterprises Market (the "GEM") since 10 August 2001. Pursuant to the special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008. The change of domicile has no impact on the continuity and the listing status of the Company. The addresses of its registered office and principal place of business are disclosed in the corporate information section of the annual report.

The trading of the Company's shares on GEM were suspended for the period from 29 October 2009 to 13 October 2010 and being resumed on 14 October 2010. Details of suspension and resumption of trading the Company's share are set out in the announcements dated 29 October 2009 and 13 October 2010 respectively.

The financial statements are presented in Hong Kong dollars (rounded to the nearest thousand except for per share data), which is the same as the functional and presentation currency of the Company.

The Company is an investment holding company. The Group's principal activities were involved in manufacture and sale of synthetic sapphire watch crystals and optoelectronic products, and in the trading of liquor, fashion and integrated circuits and software trading and development.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Group and the Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective for the year ended 31 December 2011 and in these financial statements.

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets(1)
	Disclosures – Offsetting Financial Assets and Financial Liabilities(5)
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures(6)
HKFRS 9	Financial Instruments(6)
HKFRS 10	Consolidated Financial Statements(4)
HKFRS 11	Joint Arrangements(4)
HKFRS 12	Disclosure of Interests in Other Entities(4)
HKFRS 13	Fair Value Market(4)

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive income[(3)]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[(2)]
HKAS 19 (Revised in 2011)	Employee Benefits[(4)]
HKAS 27 (Revised in 2011)	Separate Financial Statements[(4)]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[(4)]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[(5)]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[(4)]

[(1)] *Effective for annual periods beginning on or after 1 July 2011*
[(2)] *Effective for annual periods beginning on or after 1 January 2012.*
[(3)] *Effective for annual periods beginning on or after 1 July 2012.*
[(4)] *Effective for annual periods beginning on or after 1 January 2013.*
[(5)] *Effective for annual periods beginning on or after 1 January 2014.*
[(6)] *Effective for annual periods beginning on or after 1 January 2015.*

The amendments to HKAS 1 retain the portion to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual period beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirement of HKFRS 9 are described as follows:

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

– The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities related to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently classified to profit or loss. Previously, under HKFRS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on financial statements.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain buildings and financial assets at fair value through profit or loss, which have been measured at revalued amount or fair value.

4. TURNOVER AND OTHER INCOME AND GAINS

(a) Turnover

An analysis of the Group's turnover for the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Sale of goods	**47,050**	32,543

The Group's turnover represents the sales value of goods supplied to customers, net of discounts and sales related tax during the year.

(b) Other income and gains

An analysis of the Group's other income and gains for the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Other income		
Bank interest income	**3**	18
Other interest income	**370**	–
Total interest income earned on financial assets that are not designated as at fair value through profit or loss	**373**	18
Operating lease rental income	**17**	16
Write-back of other payables and accruals	**–**	288
Others	**138**	377
	528	699
Other gains		
Net foreign exchange gains	**1,442**	568
	1,970	1,267

5. SEGMENT INFORMATION

Segment information reported by the Group's operating division to the chief operating decision maker ("CODM"), i.e. the directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The Group's operating and reportable segments under HKFRS 8 are as follows:

(a) The synthetic sapphire watch crystals segment ("Sapphire") is a supplier of watch crystals mainly for use in the manufacture of watch products;

(b) The optoelectronic products segment ("Optoelectronic") is a supplier of optoelectronic products for use in internet cable; and

(c) The liquor products segment ("Liquor") is in trading of wine.

(d) The integrated circuits and software segment ("Integrated Circuits and Software") is in integrated circuits and software development and reselling business.

(e) The fashion products segment ("Fashion") is in wholesaling and retailing of fashions.

For the purposes of assessing segment performance and resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales in the year (2010: HK$ nil).

Segment result represents the profit earned/loss resulted by each segment without allocation of central administration costs, including directors' remuneration, interest income, net gain/loss on financial assets at fair value through profit or loss, gain on disposal of subsidiaries, impairment losses on trade and other receivable, impairment losses of property, plant and equipment, loss on disposal on intangible asset, purchase cost recognised as expense and finance costs.

Segment assets include all non-current assets and current assets.

Segment liabilities include all current liabilities other than tax payable.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

(a) Segment revenues and results

For the year ended 31 December 2011	Sapphire *HK$'000*	Optoelectronic *HK$'000*	Liquor *HK$'000*	Integrated circuits and software *HK$'000*	Fashion *HK$'000*	Total for reportable segments *HK$'000*
Segment revenue	**34,767**	**6,343**	**3,482**	**1,755**	**594**	**46,941**
Segment result	**(439)**	**(1,738)**	**(296)**	**1,661**	**(2,344)**	**(3,156)**

Reconciliation:	
Total loss for reportable segments	**(3,156)**
Unallocated corporate income	**421**
Bank interest income	**3**
Net loss on financial assets at fair value through profit or loss	**(720)**
Impairment losses on	
– trade and other receivables	**(5,130)**
– property, plant and equipment	**(125)**
Loss on disposal of intangible asset	**(8,700)**
Purchase costs recognised as expense	**(2,413)**
Finance costs	**(28)**
Unallocated corporate expense	
– Staff costs	**(15,106)**
– Legal and professional fee	**(11,926)**
– Others	**(3,303)**
Consolidated loss before taxation	**(50,183)**

For the year ended 31 December 2010	Sapphire *HK$'000*	Optoelectronic *HK$'000*	Liquor *HK$'000*	Total for reportable segments *HK$'000*
Segment revenue	26,537	4,344	1,662	32,543
Segment result	2,026	(2,269)	20	(223)

Reconciliation:	
Total loss for reportable segments	(223)
Unallocated corporate income	1,249
Bank interest income	18
Gain on disposal of subsidiaries	447
Net gain on financial assets at fair value through profit or loss	673
Impairment losses on trade receivables	(246)
Finance costs	(30)
Unallocated corporate expense	(13,568)
Consolidated loss before taxation	(11,680)

(b) Segment assets and liabilities

As at 31 December 2011	Sapphire	Optoelectronic	Liquor	Integrated circuits and software	Fashion	Total for reportable segments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**15,676**	**4,234**	**6,566**	**8,560**	**1,340**	**36,376**
Unallocated assets						
– Cash and bank balance						**20,614**
– Others						**7,891**
Consolidated assets						**64,881**
Segment liabilities	**(6,350)**	**(789)**	**–**	**(1,912)**	**(877)**	**(9,928)**
Unallocated liabilities						
– Short-term loan						**(4,520)**
– Current income tax payable						**(2,438)**
– Deferred the liabilities						**(134)**
– Others						**(1,596)**
Consolidated liabilities						**(18,616)**

As at 31 December 2010	Sapphire	Optoelectronic	Liquor	Total for reportable segments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	16,787	5,261	503	22,551
Elimination of inter-segment receivables				(704)
Unallocated assets				20,668
Consolidated assets				42,515
Segment liabilities	(10,686)	(732)	(54)	(11,472)
Elimination of inter-segment payables				704
Unallocated liabilities				(12,632)
Consolidated liabilities				(23,400)

(c) Other segment information

For the year ended 31 December 2011	Sapphire	Optoelectronic	Liquor	Integrated circuits and software	Fashion	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	5,103	–	3,963	11,113	653	85	20,917
Interest income	1	1	–	–	–	371	373
Interest expenses	–	–	–	–	–	28	28
Impairment loss on:							
– trade and other receivables							
– property, plant and equipment	–	166	–	–	–	–	166
Loss on disposal of intangible asset	–	–	–	8,700	–	–	8,700
Purchase costs recognised as expense	–	–	–	–	–	2,413	2,413
Income tax expenses	18	47	–	237	–	61	363
Write down of inventories	2,283	830	183	–	–	–	3,296
Depreciation and amortisation	1,587	107	77	–	129	71	1,971

For the year ended 31 December 2010	Sapphire	Optoelectronic	Liquor	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	16	–	–	41	57
Interest income	–	1	–	17	18
Interest expenses	–	–	–	30	30
Income tax	18	18	4	–	40
Depreciation	1,370	105	–	57	1,532

(d) Geographical Information

The Group's operations are mainly located in Hong Kong (place of domicile) and People's Republic of China ("PRC").

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**6,397**	10,525	**10,970**	3,027
PRC	**7,009**	3,429	**5,328**	4,842
Taiwan	**144**	4,790	**–**	–
Europe	**33,500**	13,799	**–**	–
	47,050	32,543	**(16,298)**	7,869

(e) Information about major customers

	2011	2010
	HK$'000	*HK$'000*
Customer A	**7,337**	8,744
Customer B	**12,012**	6,482
Customer C	**5,487**	5,839
Customer D	**–**	4,790
Customer E	**6,200**	–
	31,036	25,855

All revenue disclosed above are related to the "Sapphire" reportable segment.

(f) Information about product and services

	2011	2010
	HK$'000	*HK$'000*
Synthetic sapphire watch crystals	**34,767**	26,537
Optoelectronic products	**6,343**	4,344
Liquor	**3,482**	1,662
Integrated circuits and software	**1,755**	–
Fashion	**594**	–
Other	**109**	–
	47,050	32,543

6. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	2011	2010
	HK$'000	*HK$'000*
Amortisation of prepaid land lease payments	**17**	16
Depreciation of property, plant and equipment	**1,954**	1,532
Impairment losses on		
– trade and other receivables	**5,130**	246
– property, plant and equipment	**125**	–
Loss on disposed of intangible asset	**8,700**	–
Purchase costs recognised as expense	**2,413**	–
Cost of inventories*	**33,299**	26,467
Write down of inventories	**3,296**	299
Minimum lease payment under operating leases		
– Buildings	**1,420**	751
Auditors' remuneration		
– Audit services	**720**	600
– Other services	**359**	567
Staff costs (including directors' remuneration *(note 11)*):#		
Salaries, wages and other benefits	**12,017**	6,241
Discretionary bonuses	**4,245**	
Retirement scheme contributions	**328**	103
Equity-settled share-based payment expenses	**1,393**	1,020

\# Of the total staff costs, HK$ Nil (2010: HK$819,000) was attributed to research and development activities of the Group.

* Cost of inventories includes HK$3,612,000 (2010: HK$3,432,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. INCOME TAX EXPENSE

Taxation in the consolidated statement of comprehensive income represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Charge for the year	**298**	4
Current tax – PRC Enterprise Income Tax		
Charge for the year	**65**	58
Tax rebate	**–**	(22)
	65	36
	363	40
Deferred tax *(Note 29)*	**134**	–
Tax charge	**497**	40

Hong Kong profits tax has been provided for in the consolidated financial statements at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

According to the Corporate Income Tax Law of PRC and Circular 39, the tax rate of the PRC subsidiaries are gradually increased from 15% to 25% over a five-year transitional period (18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter). PRC Enterprise Income Tax has been provided for in the financial statements on the taxable profits at the rate as described above for the relevant years.

8. DIVIDENDS

The directors do not recommend the payment of any dividends to the owners of the Company for the year ended 31 December 2011 (2010: HK$nil).

9. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The basic loss per share is calculated based on the loss attributable to owners of the Company of HK$50,546,000 (2010: HK$11,720,000) and the weighted average number of 187,106,762 shares (2010: 95,514,456 shares) in issue during the year.

Diluted loss per share for the years ended 31 December 2011 and 2010 were the same as the basic loss per share as the potential shares arising from the exercise the Company's share options would decrease the loss per share of the Group for both years and is regarded as anti-dilutive.

10 INTANGIBLE ASSET

The intangible assets of HK$8,700,000 represented the right to collaborate with Hong Kong Applied Science and Technology Research Institute Company Limited ("ASTRI") on the development of LED lighting driver integrated circuits for solid state lighting ("Intangible asset") through a memorandum of understanding ("MOU") entered between Arnda Semiconductor Limited ("Arnda") and ASTRI for an effective period from March 2011 to June 2011. In the opinion of the directors of the Company, the Intangible asset was acquired by the Group through the acquisition of 100% equity interest of Arnda on 28 May 2011 at disclose in note 13 to the consolidated financial statements. The MOU was then lapsed in June 2011 and a loss of HK$8,700,000 was recognised in the profit or loss.

The directors of the Company appointed an independent valuer to perform a valuation on the fair value of the customer relationships as at the date of completion, i.e., 28 May 2011. The valuer estimated the fair value of the Intangible asset recognised on acquisition at fair value of HK$8,700,000, using muti-period excess earning method.

11. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**7,526**	6,279	**–**	–
Deposit and loan receivables *(note (a))*	**3,624**	2,351	**–**	–
Other receivables	**1,818**	982	**8**	18
Less: Allowance for doubtful debts	**(6,277)**	(990)	**–**	–
	6,691	8,622	**8**	18
Deposit paid to High Court for litigation *(note 31)*	**3,350**	3,350	**3,350**	3,350
Deposits and prepayments	**6,861**	545	**4,607**	520
	16,902	12,517	**7,965**	3,888

The Group's terms on credit sales primarily ranges from 30 to 120 days.

An aged analysis of the trade receivables (net of allowance for doubtful debts) at the end of the reporting period, based on the invoice date, is as follows:

	GROUP	
	2011	2010
	HK$'000	*HK$'000*
Current	**4,193**	3,215
31 – 60 Days	**1,267**	318
61 – 90 Days	**409**	197
Over 90 Days	**501**	1,559
	6,370	5,289

Movement in allowance for doubtful debts:

	GROUP	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**990**	922
Impairment loss recognised *(note (b))*	**5,287**	246
Uncollectible amount written off	**–**	(178)
At 31 December	**6,277**	990

Note:

(a) On 2 December 2010, Boom Creation Limited ("Boom Creation") and an independent third party ("the Vendor") entered into a sale and purchase agreement ("the Agreement") to acquire 1,180 shares of Top Prize Investments Limited ("Top Prize") for a consideration of RMB200,000 (equivalent to HK$246,000) in connection to an investment project in Wuxi ("Wuxi project"). Pursuant to the Agreement, Boom Creation agreed to lend a loan in three tranches totaling RMB3,300,000 (equivalent to HK$4,065,000) to Bright City Corporation Limited ("Bright City"), which was unsecured and guaranteed by the Vendor and another independent third party ("the Guarantors"), interest bearing at 12% per annum and 50% of the principal of the loan together with interest accrued was repayable on 6 June 2011 and the remaining balance was repayable on 6 December 2011. As at 31 December 2011, tranche one loan of RMB500,000 (equivalent to HK$616,000) (2010: RMB500,000 (equivalent to HK$589,000)) was lent to Bright City.

On the same date, Boom Creation entered into a loan agreement with Bright City for a loan of RMB2,000,000 (equivalent to HK$2,464,000) as working capital of replacement of energy efficient streets lamps business. The loan was unsecured and guaranteed by the Guarantors, interest bearing at 6% per annum and repayable on 20 December 2011.

Further on 25 March 2011, Boom Creation and the Vendor entered into a supplemental agreement to subscribe for 8,000 new shares of Top Prize for a deposit of RMB1,257,000 (equivalent to HK$1,548,000). Upon the issuance of the new shares, Boom Creation will in total hold 9,180 shares of Top Prize, which equivalent to 51% of total issued shares of Top Prize.

The above transaction was lapsed upon the expiration of long stop date as at 30 September 2011.

As at 31 December 2011, the Group have an outstanding receivables in total of RMB3,757,000 (equivalent to HK$4,628,000) comprising loan receivable of RMB2,500,000 (equivalent to HK$3,080,000) and deposit paid for subscription of Top Prize's new shares of RMB1,257,000 (equivalent to HK$1,548,000), which was past due but not yet recovered. In the opinion of the directors of the Company, the Wuxi project was lapsed in September 2011 and the directors are taking legal actions to recover the deposits and loans. However, the directors considered that the possibility of recovering the deposits and loan receivables were remote, thus full impairment was made on these deposits and loan receivables.

(b) Included in the allowance for doubtful debts are individually impaired trade and other receivables of HK$5,287,000 (2010: HK$246,000), save as disclosed in note (a) above, the remaining amounts are related to customers that were due over one year and other receivables that management assessed that the receivables may not be recovered.

The ageing analysis of the trade receivables that are not (or neither individually nor collectively) considered to be impaired is as follows:

	GROUP	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**5,017**	3,623
Past due but not impaired:		
– Less than 1 month	**1,027**	80
– 1 to 3 months	**-**	1,420
– Over 3 months	**326**	166
	6,370	5,289

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

None of the prepayment, deposits and other receivables is either past due or impaired. The financial assets included in the above balances relate to receivables for which there were no recent history of default.

12. TRADE AND OTHER PAYABLES

	GROUP		**COMPANY**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**3,891**	5,963	**–**	–
Other payables and accrued charges	**5,855**	7,967	**1,387**	5,952
	9,746	13,930	**1,387**	5,952

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	GROUP	
	2011	2010
	HK$	*HK$*
Current	**967**	1,942
31 – 60 Days	**925**	890
61 – 90 Days	**1,862**	2,108
Over 90 Days	**137**	1,023
	3,891	5,963

The trade payables are non-interest bearing and are normally settled on 60 days terms.

13. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 28 May 2011, the Group acquired the assets and liabilities of Arnda Semiconductor Limited ("Arnda") through the acquisition of 100% of the issued share capital of Arnda and the shareholder's loan in sum of HK$3,410,000 at a total cash consideration of HK$11,100,000.

As at the date of completion, Arnda was in the stage of research and product development and held an intangible asset as stated in note 10 to the consolidated financial statements. Accordingly, this acquisition is accounted for as assets acquisition.

Purchase consideration transferred

	HK$'000
Cash	11,100
Total	11,100

	HK$'000
Net assets acquired:	
Intangible asset	8,700
Cash and bank balances	22
Other payables and accrual charges	(35)
Amount due to shareholders	(3,410)
	5,277
Shareholder's loan	3,410
Purchase consideration transferred	11,100
Excess	(2,413)

There was an excess between the purchase consideration paid and assets and liabilities acquired at the completion date amounting to HK$2,413,000. In the opinion of the directors of the Company, the excess was attributable to the future earnings to be generated by Arnda from the potential business and determined to pay a premium over its valuation.

Net cash outflow on acquisition of Arnda

	HK$'000
Cash consideration paid	11,100
Less: cash and cash equivalents acquired	(22)
	11,078

Pursuant to the sale and purchase agreement of Arnda dated 1 April 2011 (the "Agreement"), there was a profit guarantee clause in which the Group is entitled to be compensated with a shortfall of approximately HK$1,861,000 for the year ended 31 December 2011. However, no provision for profit guarantee receivable is recognised in the consolidated financial statement as, in the opinions of the directors of the Comnpany, the Company, Wickham Ventures Limited ("the Vendor ") and Ms. Lee Hei Wan ("the Guarrantor") are in negotiation to enter into a supplemental agreement to amend the terms of the Agreement in relation to the profit guarantee clause and will be entered on 17 March 2012.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

BASIS FOR DISCLAIMER OF OPINION

1. Limitation of scope - Intangible assets

The management represented that the Group acquired an intangible asset ("Intangible asset"), through the acquisition of the 100% equity interest of Arnda Semiconductor Limited and shareholder's loan on 28 May 2011 at a consideration of HK$11,100,000 ("the Acquisition").

The directors determined the fair value of the Intangible asset based on a valuation as at 28 May 2011 ("the Valuation"). However, we noted that the formal transfer documents were executed on 25 July 2011 and that the Valuation may vary should the completion date be otherwise determined. In the absence of adequate documentary evidence available to us, we are unable to confirm the correctness of the completion date, i.e., 28 May 2011 which may have a consequential effect on the valuation of the Intangible asset and the excess on purchase consideration paid over the assets and liabilities acquired.

In the absence of adequate documentary evidence and other information available to us, we are unable to assess whether the fair value of the Intangible asset at the completion date was reliably measured and free from material misstatement.

2. **Limitation of scope - Impairment of deposits and loan receivables**

Included in the consolidated statement of comprehensive income of HK$4,628,000 is in full provision of impairment loss on certain deposits and loan receivables in connection to an investment project in Wuxi. As further described in note 12 to the consolidated financial statements, in the opinion of the directors of the Company, the Wuxi project was lapsed in September 2011 and they are taking legal actions to recover the deposits and loans. However, they considered that the possibility of recovering the deposits and loan receivables was remote. In the absence of adequate documentary evidence available to us, we are unable to satisfy ourselves as to whether the full impairment made on these deposits and loan receivables are appropriate.

Any adjustments found to be necessary in respect of the above matters would affect the Group's net assets as at 31 December 2011, and the Group's loss for the year then ended.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis of disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2011 and the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2011 increased by HK$14.5 million; cost of sales increased by HK$14.4 million. Gross profit margin decreased to 12.4% for the year ended 31 December 2011 from 17.8% for the year ended 31 December 2010. The decreased in gross profit margin was primarily due to written down of inventories amounting to HK$3.30 million.

Net loss attributable to shareholders amounted to approximately HK$50.6 million (2010: net loss HK$11.7 million). Basic loss per share for the year was HK27.0 cents (2010: HK12.3 cents).

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the year ended 31 December 2011 increased by HK$8.2 million. Cost of sales of the sapphire watch crystals during the same year increased by HK$0.4 million.

Turnover generated from European customers increased to HK$33.5 million for the year ended 31 December 2011, representing an increase of approximately 142.8% from that of HK$13.8 million generated from the year ended 31 December 2010. Sales to customers in Taiwan decreased to HK$0.1 million for the year ended 31 December 2011, representing a decrease of approximately 97% from that of HK$4.8 million for the year ended December 2010. Turnover from Hong Kong customers decreased to HK$1.1 million for the year ended 31 December 2011, representing an increase of approximately 90.0% from that of HK$10.5 million generated for the year ended 31 December 2010.

Optoelectronics products division

The sales of ferrules for the year ended 31 December 2011 and 2010 were amounted to HK$6.3 million and HK$4.3 million respectively. Cost of sales for the corresponding periods were HK$6.5 million and HK$6.2 million respectively.

Liquor products division

Sales from the liquor products division for the year ended 31 December 2011 and 2010 were amounted to HK$3.5 million and HK$1.7 million respectively. Cost of sales in for the year ended 31 December 2011 and 2010 were amounted to HK$3.2 million and HK$1.6 million respectively

Integrated circuits and embedded software trading and development divison

On 1 April 2011, the Group entered into an agreement for acquiring the entire issued share capital and the shareholders loans of Arnda Semiconductor Limited ("Arnda"), details of which were disclosed in the Company's announcement dated 6 April 2011. The acquisition was completed in mid-2011. As the development of the integrated circuits for commercialization requires longer time and efforts than expected, and because of the termination of the memorandum of understanding with Hong Kong Applied Science and Technology Research Institute Company Limited, the Group has to leverage on the other expertise and know-hows of Arnda in the embedded software development and potential business including educational software and applications and total solutions (integrated circuits and embedded software).

The sales of integrated circuits and embedded software development and reselling for the year ended 31 December 2011 (2010: nil) was amounted to HK$1.8 million, primarily arising from reselling of educational software applications. Cost of sales for the corresponding period was HK$0.02 million. (2010: nil)

Wholesaling and retailing of fashions division

The turnover of the wholesaling and retailing of fashions was amounted to HK$0.6 million. for the year ended 31 December 2011 (2010: nil). Cost of sales for the corresponding period was HK$0.21 million. (2010: nil)

Other income and gains

Other income and gains for the year ended 31 December 2011 amounted to HK$1.9 million, representing an increase of approximately 46.2% from that of HK$1.3 million generated from the year ended 31 December 2010. This was mainly due to (i) increase in interest income earned from financial assets that are not designated as at fair value through profit or loss by HK$0.4 million; and (ii) increase in net foreign exchange gain by HK$0.9 million.

Selling and distribution costs, administrative and other operating expenses for Continuing Operations

Selling and distribution costs for the year ended 31 December 2011 amounted to approximately HK$2.9 million. This represents an increase of approximately HK$0.8 million from that recorded for the year ended 31 December 2010.

Total administrative and operating expenses were approximately HK$38 million for the year ended 31 December 2011 and approximately HK$17.7 million for the year ended 31 December 2010.

The increase in the total administrative and operating expenses was mainly attributable to the increase in the legal and professional fee for the year ended 31 December 2011. A significant amount of legal and professional fees was incurred by the incident of voluntary conditional cash offers by Equity Reward Limited (details of which was disclosed in the announcement, circular and supplementary circular dated 16 August 2011, 5 September 2011 and 12 September 2012 respectively). The conditions of the offers were not satisfied and the offers had not become unconditional and lapsed on 3 October 2011.

Financial resources and liquidity

The Group's shareholders funds were increased to approximately HK$42.3 million as at 31 December 2011 (2010: HK$19.1 million). Current assets amounted to approximately HK$48.6 million as at 31 December 2011 (2010: HK$35.1 million), of which approximately HK$26.7 million (2010: HK$3.5 million) was cash and bank balances and approximately HK$ 16.9 million (2010: 12.5) was trade and other receivables.

As at 31 December 2011, the Group's total borrowings amounted to approximately HK$6.3 million (2010: HK$7.8 million), of which HK$6.3 million (2010: HK$7.85 million) were short-term borrowings repayable within one year.

The Group's gearing ratios as at 31 December 2011 was N/A (2010: 48.2%). Gearing ratio is calculated by dividing the net debt with the aggregate of total capital and net debt. Net debt includes trade payables, other payable and accruals, short-term loans and interest-bearing bank loan, less cash and cash equivalents, and excludes discontinued operations. Total capital represents equity attributable to owners of the Company.

Foreign currency risk

During the year, the Group had transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars ("USD"), Swiss Franc ("CHF"), Chinese Renminbi ("RMB"), Euro ("Euro"), New Taiwan dollars ("NTD") and Hong Kong dollars ("HKD").

During the year ended 31 December 2011, the exchange rate of USD and RMB was quite stable and the exchange rate of CHF, NTD and Euro were comparatively volatile.

As at 31 December 2011, the Group had not hedged any foreign currency sales to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

At 31 December 2011, the Group had contingent liabilities amounted to RMB2,800,000 in relation to a possible capital injection to a JV company, details of which was disclosed in the "Business Section" to this announcement. (2010: Nil.)

Save as disclosed above, there was no other material contingent liabilities.

Capital structure

On 30 December 2010, the Company entered into the warrant agreement with the Equity Reward Limited (the "Subscriber") in relation to which Subscriber conditionally agreed to subscribe for 28,000,000 warrants at the issue price of HK$0.05 per warrant, which confer rights on the Subscriber to subscribe for 28,000,000 Shares at the exercise price of HK$0.81 per Share for a period of 36 months. The Company and the Subscriber entered into a deed of settlement in respect of the warrants and the Company has issued all 28,000,000 warrants to the Subscriber on 1 March 2012. Details of which were disclosed in the announcement of the Company on 5 March 2012. Upon exercise in full of the subscription rights attaching to the 28,000,000 warrants, a maximum of 28,000,000 Shares will be issued.

On 17 March 2011, a placing agreement was entered into between the Company and the placing agent, pursuant to which the Company appointed the placing agent to procure altogether not less than six placees, who were independent third parties, on a best effort basis, for subscribing up to an aggregate of 28,000,000 placing shares at HK$0.70 per placing share. All the placing shares were issued and allotted on 30 March 2011.

On 2 June 2011, a placing agreement was entered into between the Company and the placing agent, pursuant to which the Company appointed the placing agent to procure altogether not less than six placees, who were independent third parties, on a best effort basis, for subscribing up to an aggregate of 35,000,000 placing shares at HK$1.45 per placing share. All the placing shares were issued and allotted on 17 June 2011.

Voluntary conditional cash offers ("Offers")

On 2 August, 2011, the Company was notified by Equity Reward Limited ("Offeror") that it intended to make the voluntary conditional cash offer (in compliance with the Takeovers Code) to acquire all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Details of the offers were set out in the offeror's announcement, circular and supplementary circular dated 16 August 2011, 5 September 2011 and 12 September 2011 respectively. The conditions of the Offers were not satisfied and the Offers had not become unconditional and lapsed on 3 October 2011.

Employees

As at 31 December 2011, the Group had 136 (2010: 139) employees. Employees were remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits included free accommodation at the Group's staff quarters in the PRC and performance bonus and share options. Total staff costs including directors' remuneration for 2011 were approximately HK$18.8 million (including equity-settled share-based payment expenses of approximately HK$1.3 million) (2010: HK$7.3 million (including equity-settled share-based payment expenses of approximately HK$1.0 million)). The increase in the staff costs is primarily due to the broadening of the business scopes and activities of the Group and the additional human resources and efforts in relation to the hostile takeover from Equity Reward Limited during the third quarter of year 2011.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the year, the Group acquired the entire issued share capital of Arnda Semiconductor Limited at a consideration of HK$11.1 million. Save as above, the Group had no other material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2011.

Segmental Information

An analysis of the Group's performance for the year by the type of goods sold is set out in note 5 to the financial statements and further elaborated under "Financial Review" of this section.

BUSINESS REVIEW

During the year the Group recorded an increase in turnover and an increase in loss attributable to equity shareholders of Company. The turnover was approximately HK$47,050,000 (2010: approximately HK$32,543,000), representing an increase of 44.5% as compared to last year. The increase in turnover was mainly due to increase in market demand in both sapphire watch crystals and optoelectronics products. Loss attributable to equity shareholders of the Company for year ended 31 December 2011 was approximately HK$50,546,000 while loss attributable to equity shareholders of the Company for the corresponding year 2010 was approximately HK$11,720,000. The loss was mainly attributable to the increase in losses of the business operations of the Group, the non-cash recognition of impairment loss of an intangible asset of approximately HK$8.7 million and increase in staff costs to cope with the Group's business expansion and diversification and increase in legal and professional fee.

During the year, the principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals, optoelectronics products, trading of liquor products and wholesaling, retailing of fashions, and the integrated circuits and software trading and development.

During the year, the Group recorded a loss on disposal of financial assets at fair value through profit or loss amounted to HK$720,000 (2010: Nil).

In order to improve and develop the business of replacement of energy efficient streets lamps business, the Company has granted a loan of RMB2.5 million (approximately HK$2.9 million) to Bright City Corporation Limited ("Bright City") (a company incorporated in Hong Kong which is an independent third party) pursuant to the SPA (as defined below) and the loan agreement dated 2 December 2010 (as amended by a supplemental agreement dated 20 December 2010) made between, inter alia, Boom Creation Limited ("Boom Creation") (a wholly-owned subsidiary of the Company) and Bright City. The loan should be used as working capital of replacement of energy efficient streets lamps business. The loan was expected to be repaid to the Company by the end of 2011. Nevertheless, as of 31 December 2011, there was no repayment received by the Group and accordingly, the Group has made an impairment loss amounting to approximately HK$3.1 million for the year ended 31 December 2011.

Pursuant to the sale and purchase agreement dated 2 December 2010 (as amended by several supplemental agreements signed in December 2010, March and June 2011) made between, inter alia, Boom Creation and an independent third party ("SPA"), subject to the completion of the reorganization of Top Prize Investments Limited ("Top Prize") and its subsidiaries, Boom Creation has conditionally agreed to acquire and the independent third party has conditionally agreed to sell 1,180 shares of Top Prize, a company which will own the entire issued share capital of Bright City (Bright City will in turn own the entire equity interest in a PRC limited company whose principal businesses are the manufacturing, trading and installation of energy-efficient street lamps in the PRC) with a consideration of RMB200,000 (approximately HK$235,440). Pursuant to the SPA, Boom Creation has also paid RMB1,256,950 (approximately HK$1,479,682) to Top Prize as deposit for subscription of 8,000 new shares in Top Prize. The total number of 9,180 shares in Top Prize to be purchased and subscribed by Boom Creation will be equivalent to 51% of total issued shares of Top Prize. Nevertheless, the acquisition was lapsed and no repayment in respect of the deposits was paid. The Group has made an impairment loss amounting to approximately HK$1.5 million for the year ended 31 December 2011.

The Company has previously entered into a joint venture ("JV") agreement with 內蒙古鑫睿商貿有限公司 (Nei Meng Gu Xin Rui Sheng Mao Co. Ltd) ("Xin Rui") on 28 April 2009 and a supplemental agreement with Xiu Rui, Mr. Ouyang and others on 23 March 2010, pursuant to which Chances (H.K.) Holdings Limited (a wholly-owned subsidiary of the Company) ("Chances HK") would acquire 20% equity interest from Mr. Ouyang in a JV company at the consideration of RMB1.2 million (equivalent to approximately HK$1.4 million). The transaction was not completed as the Company has not paid any consideration and owing to the unsatisfactory performance of the JV Company, on 15 June 2011, the Company signed a termination agreement with Mr. Ouyang to terminate the acquisition of his 20% equity interest in the JV Company. The registered share capital of the JV Company was RMB20 million. In the opinion of the directors after the consulted PRC lawyer and obtained a legal opinion from the PRC lawyer; the Group has ground to discharge all liabilities (including the RMB1.2 million consideration and RMB2.8 million capital injection). Therefore, the directors are of the opinion no provision is required for the unpaid registered capital.

On 1 April 2011, the Group entered into an agreement for acquiring the entire issued share capital of Arnda Semiconductor Limited and the vendor's shareholders loans at the consideration of HK$7,690,000 and HK$3,410,000 respectively, totalling HK$11,100,000. Details of the acquisition were disclosed in the Company's announcement dated 6 April 2011. The acquisition was completed in mid-2011. Looking ahead, the Group will focus on the research and development to acquire more licensed intellectual properties with an objective to broaden the product offerings in both integrated circuits and software.

According to the audited accounts of the Arnda, there was a profit guarantee shortfall in the sum of HK$1,861,000 (the "2011 Profit Guarantee Shortfall") for the year ended 31 December 2011. According to the original agreement, the vendor and the guarantor shall pay such 2011 Profit Guarantee Shortfall to the Purchaser within 3 days upon the Purchaser's demand. However, in view of the fact that one of the reasons why the Target Company did not meet the profit target in the year ended 31 December 2011 was that there had been certain changes in the business model and revenue model of the Target Company. In particular, as the development of the integrated circuits for commercialisation in the market requires longer time and efforts than originally expected, partially contributed by the termination of the memorandum of understanding with ASTRI, the Target Company has commenced the business to generate revenues from the development of the embedded software in parallel with the trading and production of integrated circuits. As a result of such changes, the Target Company will need longer time to achieve its profit targets. However, it is anticipated that the overall long-term profit which will be achieved by the Target Company will be higher than that previously expected. After arm's length negotiations, the parties agreed to enter into a supplemental agreement (details of which to be disclosed in the announcement by the Company) for revising the profit guarantee provisions in the agreement as aforementioned so that:

(i) the Company will waive the 2011 Profit Guarantee Shortfall payable by the vendor and the guarantor;

(ii) Arnda will be given longer time to achieve its profit targets; and

(iii) the aggregate amount of net profits after tax of the Target Company guaranteed by the vendor and the guarantor will be increased from HK$14,300,000 to HK$18,500,000.

The Directors consider that the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As the progress of the development of the integrated circuits of Arnda was affected by the termination of the memorandum of understanding with ASTRI, there is a one-off and non-cash one-off nature of recognition of an impairment loss on intangible assets of approximately HK$8.7 million. The Directors believes that Arnda will continue to play an important role in the Groups overall business (the business segment represented by Arnda is the only positive profit contributor amongst the group's other segments before the one-off impairment for the year 2011). The Directors remains highly confident in the prospects of Arnda which is not impacted in any way by the decision. While the consolidated earnings of the Group for the year will be negatively impacted, the future earnings capability of the Group will not be affected by the decision of the Company to recognize the impairment.

In additions, the memorandum of understanding entered between the Company and Shenzhen DongYu Investment Development Company Limited ("Shenzhen DongYu") dated on 9 May 2011 in relation to the formation of a sino-foreign joint venture company ("JV Company") was lapsed. The principal business activities of the JV Company will be in the planting of jatropha curcas and the sale and production of biodiesel fuel. Jatropha curcas seeds contain oil that can be processed to produce a high-quality biodiesel fuel which is usable in standard diesel engines. The Board considered that the current business situation of the business of the JV Company has changed and the Board considered that the business environment engaged by the JV Company was not attractive anymore. Therefore, the Board has decided not to put effort in the further negotiation with Shenzhen DongYu.

In order to diversify risk and broaden the sources of income of the Group, on 28 April 2011, the Group entered into a memorandum of understanding with Goodeve Holdings Limited in relation to a possible acquisition of 51% of the issued share capital of Rosy Sino Holdings Limited ("Rosy Sino") a company which would acquire 80% of the issued share capital of Abocom (China) Group Co. Limited ("Abocom"). Abocom is engaged in the development and production of mobiles phones in PRC. Although the parties to the memorandum of understanding had undergone active negotiations, they were unable to reach a consensus on the terms of the formal agreement within 3 months from the date of the memorandum of understanding. As a result, the memorandum of understanding was expired and ceased to have any legal effect on 28 July 2011 and there is currently no further negotiation between the parties in relation to the acquisition of Rosy Sino.

PROSPECTS

The Company will conduct a review on the business operations and financial position of the Company for the purpose of formulating business plans and strategies for its future business development which would enable the Group to diversify its business and broaden its income sources. In addition, the Company will divest in the business areas which did not perform well in past years and/or do not have good business prospects with a view to allocate and concentrate the resources of the Company into the business areas which have better business prospects and exploring other business and investment opportunities.

With the lead of the management team, the Company is actively exploring for business opportunities in other sector to diversify risk and broaden the sources of income of the Company. The Company has adequate resources to continue with business operations, and will continue to centralize corporate objective of developing current businesses in order to strengthen the competitiveness, integrate its capital resources and contribute a maximum wealth to our equity holders.

The Company is also actively exploring for investment opportunities through potential acquisitions and joint ventures, with one of such ventures is the possible acquisition of Beaming Enterprises Limited ("Beaming"), to diversify business risk and broaden income source through taking part into other sectors. As announced by the Company on 27 January 2012 and 6 March 2012, the Company has entered into a memorandum of understanding and a supplemental memorandum of understanding with the vendors of Beaming, pursuant to which the Company has been given an opportunity to acquire Beaming in providing insurance services via mobile phone SMS. As at the Latest Practicable Date, the Company is still in negotiation with the vendors on the terms and conditions of the definitive agreement.

During the period, the Group acquired the entire issued share capital of Arnda Semiconductor Limited and two office premises, details of which were disclosed in the announcements of the Company dated 6 April 2011 and 6 May 2011 respectively. Save as above, the Group had no other material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2011.

The Group will take possible opportunities in the financial markets to raise funds to facilitate future merger and acquisition activities and increase the working capital of the Group.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exists under the Company's articles of association or under the laws in the Bermuda.

PURCHASE, SALE, REDEMPTION OR CANCELLATION OF SHARES BY THE COMPANY AND/OR SUBSIDIARIES

Neither the Company nor its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's share during the year ended 31 December 2011.

COMPETING INTERESTS

During the year ended 31 December 2011, none of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE

Adapting and adhering to recognized standards of corporate governance principles and practices are always one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that leads to success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has fully complied throughout the year under review with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have compiled with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year 31 December 2011.

AUDIT COMMITTEE

As required by Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

Audit committee, currently comprises three independent non-executive directors, namely Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, has been established to make recommendation to the Board on the Company's policy. Mr. Jal Nadirshaw Karbhari is the Chairman of the audit committee.

The Company's financial statements for the year ended 31 December 2011 have been reviewed by the audit committee. The audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the year ended 31 December 2011, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly and quarterly reports.

On Behalf of the Board
Seamless Green China (Holdings) Limited
Chan Ka Ming
Chairman

Hong Kong, 16 March 2011

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

(1) Mr. Chan Ka Ming, as an executive director;
(2) Mr. Nee, Henry Pei Ching, as an executive director;
(3) Mr. Ho Chun Kit Gregory, as an executive director;
(4) Mr. Tam Chak Chi, as an executive director;
(5) Mr. Ng Kai Shing, as an independent non-executive director;
(6) Mr. Jal Nadirshaw Karbhari, as an independent non-executive director; and
(7) Ms. Chan Sze Man, as an independent non-executive director.

This announcement, for which the directors of the Company (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least 7 days from the date of this posting and on the website of the Company at http://www.victoryhousefp.com/lchp/8150.html.