



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 2013**

**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.

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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 2013 of approximately HK\$25,070,000, representing approximately 7.1% decline over the corresponding period in 2012.
- The Group recorded an audited loss attributable to owners of the Company for the year ended 31 December 2013 of approximately HK\$153,128,000, representing an increase of loss of approximately 162.4% as compared to the corresponding period in 2012.
- The Directors do not recommend the payment of any dividends for the year ended 31 December 2013.

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 2013 together with the comparative audited figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Turnover	4(a)	25,070	26,993
Cost of sales		(24,977)	(23,571)
Gross profit		93	3,422
Other income and gain	4(b)	675	1,284
Selling and distribution costs		(995)	(1,482)
Administrative and other operating expenses		(75,297)	(56,657)
Gain on disposal of subsidiaries		–	524
Change in fair value of investment property		–	368
Impairment loss on disposal group classified as held for sale		(2,223)	–
Gain on disposal of property, plant and equipment		–	14
Loss on early redemption on promissory note		–	(3,227)
Impairment loss on interest in an associate		(61,549)	–
Impairment loss on trade and other receivables		(12,417)	(1,778)
Loss from operations		(151,713)	(57,532)
Share of profit/(loss) of associates		3,555	(44)
Finance costs	6	(5,667)	(666)
Loss before taxation	7	(153,825)	(58,242)
Income tax	8	–	(120)
Loss for the year		(153,825)	(58,362)

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
Other comprehensive income after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the consolidated financial statements of foreign subsidiaries		1,741	(87)
Other comprehensive income/(expense) for the year		1,741	(87)
Total comprehensive expense for the year		(152,084)	(58,449)
Loss for the year attributable to:			
Owners of the Company		(153,128)	(58,362)
Non-controlling interests		(697)	–
		(153,825)	(58,362)
Total comprehensive expense attributable to:			
Owners of the Company		(151,387)	(58,449)
Non-controlling interests		(697)	–
		(152,084)	(58,449)
Loss per share attributable to the owners of the Company			
Basic	<i>10</i>	(36.54) cents	(22.63) cents
Diluted	<i>10</i>	(36.54) cents	(22.23) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment		32,635	9,277
Intangible assets	11	–	–
Investment property		–	16,614
Prepaid land lease payments		530	518
Interests in associates	12	70,225	64,750
		103,390	91,159
Current assets			
Prepaid land lease payment		17	17
Inventories		1,889	5,949
Trade and other receivables	13	44,035	22,364
Cash and cash equivalents		782	3,678
		46,723	32,008
Assets of disposal group classified as held for sale			
		15,663	–
		62,386	32,008
Current liabilities			
Bank loans and overdrafts		2,829	3,001
Trade and other payables	14	20,693	12,186
Income tax payable		2,150	2,421
Promissory notes		–	7,000
		25,672	24,608
Liabilities of disposal group classified as held for sale			
		3,075	–
		28,747	24,608
Net current assets			
		33,639	7,400
Total assets less current liabilities			
		137,029	98,559
Non-current liabilities			
Deferred tax liabilities		134	1,265
Promissory notes		109,923	46,449
		110,057	47,714
NET ASSETS			
		26,972	50,845
CAPITAL AND RESERVES			
Share capital		24,256	17,282
Reserves		4,194	33,563
Equity attributable to owners of the Company			
		28,450	50,845
Non-controlling interests		(1,478)	–
TOTAL EQUITY			
		26,972	50,845

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Warrant reserve HK\$'000	Exchange reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2012	10,587	107,366	535	-	2,665	307	(75,195)	-	46,265
Loss for the year	-	-	-	-	-	-	(58,362)	-	(58,362)
Other comprehensive expense for the year:									
Exchange difference on translation of the financial statements of foreign subsidiaries	-	-	-	-	(87)	-	-	-	(87)
Total comprehensive expense for the year	-	-	-	-	(87)	-	(58,362)	-	(58,449)
Recognition of unlisted warrants	-	-	-	1,400	-	-	-	-	1,400
Recognition of equity-settled share-based payments	-	-	-	-	-	3,258	-	-	3,258
Issue of shares upon:									
- warrants exercised	1,150	18,630	-	(1,150)	-	-	-	-	18,630
- shares	5,193	32,759	-	-	-	-	-	-	37,952
- upon exercise of share options	352	1,884	-	-	-	(447)	-	-	1,789
Lapse of share options	-	-	-	-	-	(1,767)	1,767	-	-
At 31 December 2012 and at 1 January 2013	17,282	160,639	535	250	2,578	1,351	(131,790)	-	50,845
Loss for the year	-	-	-	-	-	-	(153,128)	(697)	(153,825)
Other comprehensive income for the year:									
Exchange difference on translation of the financial statements of foreign subsidiaries	-	-	-	-	1,741	-	-	-	1,741
Total comprehensive expense for the year	-	-	-	-	1,741	-	(153,128)	(697)	(152,084)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	781	(781)	-
Recognition of unlisted warrants	-	-	-	641	-	-	-	-	641
Recognition of equity settled share-based payment	-	-	-	-	-	34,225	-	-	34,225
Issue of shares upon:									
- warrant exercised	2,257	23,562	-	(651)	-	-	-	-	25,168
- share option	822	4,397	-	-	-	(1,044)	-	-	4,175
- shares	3,895	60,107	-	-	-	-	-	-	64,002
At 31 December 2013	24,256	248,705	535	240	4,319	34,532	(284,137)	(1,478)	26,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. Corporate information

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 on the Stock Exchange of Hong Kong Limited (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 consolidated 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”)

(a) Standards and Interpretations adopted in the current period

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are relevant to and effective for the Group’s financial period beginning on 1 January 2013:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual Improvements to HKFRSs (2009-2011)	Amendments to HKFRS 1, HKAS 1, HKAS 16, HKAS 32 and HKAS 34
Amendments to HKFRSs 10, HKFRSs 11 and HKFRSs 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

(i) HKFRS 10 “Consolidated Financial Statements” modifies the concept of “control” substantially. The Company’s adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities;

(ii) HKFRS 11 “Joint Arrangements” introduces the concepts of “joint venture” and “joint operations”. The Company’s adoption of these new concepts does not result in a change in the classification and measurement of investments in joint ventures and other entities; and

- (iii) HKFRS 12 “Disclosure of Interests in Other Entities” specifies the disclosure requirements for subsidiaries, joint arrangements and associates and introduces new disclosure requirements for unconsolidated structured entities.
- (iv) HKFRS 13 “Fair Value Measurement” introduces a number of new concepts and principles regarding fair value measurement. The Company’s adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

The adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

(b) Standards and Interpretations issued but not yet adopted

The Group has not early applied any of the following new and revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2013:

HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁴
HK(IFRIC) – Int 21	Levies ¹
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRS 10	Investment Entities ¹
HKFRS 12 and HKAS 27	
Annual Improvement to HKFRSs (2010-2012)	Amendments to HKFRS 2, HKFRS 3, HKFRS 8, HKFRS 13, HKAS 16, HKAS 24 and HKAS 38 ²
Annual Improvements to HKFRSs (2011-2013)	Amendments to HKFRS 1, HKFRS 3, HKFRS 13, and HKAS 40 ² .

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 January 2016

3. Basis of preparation

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

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Turnover and other income and gains

(a) Turnover

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

	2013	2012
	HK\$'000	HK\$'000
Sale of goods	25,070	26,993

The Group's turnover represents the sale 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:

	2013	2012
	HK\$'000	HK\$'000
<i>Other income</i>		
Bank interest income	15	1
Other interest income	154	41
Total interest income on financial assets not at fair value through profit or loss	169	42
Operating lease rental income	–	17
Others	506	1,225
	675	1,284

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;
- (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; and
- (e) The fashion products segment ("Fashion") is in wholeselling 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 (2012: 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 receivables, impairment losses of property, plant and equipment, loss on disposal of 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.

(a) Segment revenue and results:

For the year ended 31 December 2013:

	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	20,423	2,081	1,673	893	-	25,070
Segment result	(7,433)	(2,477)	(4,070)	(1,489)	-	(15,469)
Reconciliation:						
Total loss for reportable segments						(15,469)
Unallocated corporate income						239
Bank interest income						15
Share of profit of associates						3,555
Impairment loss on disposal group classified as held for sale						(2,223)
Impairment loss on interest in an associates						(61,549)
Impairment losses on trade and other receivables						(12,417)
Finance costs						(5,492)
Unallocated corporate expenses						
– Staff costs						(43,217)
– others						(17,267)
Consolidated loss before taxation						(153,825)

For the year ended 31 December 2012:

	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	22,468	3,502	200	351	472	26,993
Segment result	(7,315)	(542)	(369)	(3,111)	(998)	(12,335)
Reconciliation:						
Total loss for reportable segments						(12,335)
Unallocated corporate income						2,213
Bank interest income						40
Share of loss of an associate						(44)
Loss on early redemption on promissory notes						(3,227)
Finance costs						(529)
Unallocated corporate expenses						
– Staff costs						(17,647)
– others						(26,713)
Consolidated loss before taxation						(58,242)

(b) Segment assets and liabilities:
For the year ended 31 December 2013:

	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 assets	11,415	3,207	1,745	23,857	-	40,224
Unallocated assets						
- Cash and bank balances						508
- Others						125,044
Consolidated assets						165,776
Segment liabilities	(8,180)	(658)	(4)	(1,944)	-	(10,786)
Unallocated liabilities						
- Promissory note						(109,923)
- Deferred tax liabilities						(134)
- others						(17,961)
Consolidated liabilities						(138,804)

For the year ended 31 December 2012:

	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 assets	13,326	5,257	2,669	2,178	-	23,430
Unallocated assets						
- Cash and bank balances						1,958
- Interest in associate						64,750
- Others						33,009
Consolidated assets						123,147
Segment liabilities	(10,816)	(697)	(4)	(1,881)	-	(13,398)
Unallocated liabilities						
- Promissory notes						(53,449)
- Current income tax payables						(1,691)
- Deferred tax liabilities						(1,132)
- Others						(2,652)
Consolidated liabilities						(72,322)

(c) Other segment information:
For the year ended 31 December 2013:

	Sapphire HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	Integrated circuits and software HK\$'000	Fashion HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital expenditure	-	-	-	23,751	-	1,234	24,985
Interest income	1	1	-	-	-	14	16
Interest expenses	156	-	-	-	-	18	174
Depreciation and amortisation	1,181	342	-	18	-	42	1,566

For the year ended 31 December 2012:

	Sapphire HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	Integrated circuits and software HK\$'000	Fashion HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital expenditure	164	-	-	-	-	21	185
Interest income	1	1	-	-	-	40	42
Interest expenses	132	-	-	-	5	529	666
Income tax expenses	18	28	-	-	-	74	120
Write down of inventories	2,135	1,950	14	-	-	-	4,099
Depreciation and amortisation	1,636	532	-	3	59	78	2,308

(d) Geographical information

The Group's operations are mainly located in Hong Kong and the 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:

	Revenues from external customers		Non-current assets	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong	1,118	8,295	10,623	682
PRC	10,887	3,853	92,767	90,477
Taiwan	-	34	-	-
Europe	13,065	14,811	-	-
	25,070	26,993	103,390	91,159

(e) Information about major customers

The following table set out the information for the Group's five largest customers:

	2013	2012
	HK\$'000	HK\$'000
Customer A	8,540	7,562
Customer B	7,116	6,279
Customer C	3,542	5,481
Customer D	2,329	2,084
Customer E	1,792	1,458
	23,319	22,864

Save as disclosed above, there was no other single customer contributing over 10% total revenue of the Group for the years ended 31 December 2013 and 2012.

(f) Information about product and services:

	2013	2012
	HK\$'000	HK\$'000
Synthetic sapphire watch crystals	20,423	22,468
Optoelectronic products	2,081	3,502
Liquor	1,673	200
Integrated circuits and software	893	351
Fashion	–	472
	25,070	26,993

6. Finance costs

	2013	2012
	HK\$'000	HK\$'000
Interest on promissory notes	5,492	529
Interest on bank loan and overdraft	175	137
	5,667	666

7. Loss before taxation

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

	2013	2012
	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	17	17
Depreciation of property, plant and equipment	1,566	2,291
Impairment losses on		
– Trade and other receivables	3,168	1,778
Cost of inventories*	24,978	19,472
Write down inventories	–	4,099
Minimum lease payment under operating leases		
– Buildings	1,369	1,579
Auditors' remuneration		
– Audit services	750	750
Staff costs (including directors' remuneration (note 11))		
Wages and salaries	8,992	17,386
Discretionary bonuses	158	4,469
Retirement scheme contributions	103	159
Equity-settled share-based payment expenses	34,225	3,258

* Cost of inventories includes HK\$1,161,000 (2012: HK\$3,612,000) relating to the 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.

8. Income tax expense

(a) Taxation in the consolidated statement of profit or loss and comprehensive income represents:

	2013	2012
	HK\$'000	HK\$'000
Current Tax – PRC Enterprise Income Tax	–	46
Tax rebate	–	74
Tax charge	–	120

Hong Kong profits tax has been provided for in the consolidated financial statements at the rate of 16.5% (2012:16.5%) 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. PRC Enterprise Income Tax has been provided for in the consolidated financial statements on the taxable profits at the rate as described above for the relevant years.

No provision for both Hong Kong profit tax and PRC Enterprise Income Tax has been provided in the consolidated financial statements as there was no estimated assessable profit for the year ended 31 December 2013 (2012: HK\$120,000).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2013	2012
	HK\$'000	HK\$'000
Loss before taxation	(153,825)	(58,242)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	(24,297)	(9,997)
Tax effect of non-taxable income	(592)	(245)
Tax effect of non-deductible expenses	17,591	1,501
Tax loss not recognised	7,298	1,393
Tax benefit not recognised	–	7,394
Tax rebate	–	74
Income tax expense recognised in profit or loss	–	120

9. Dividends

The directors do not recommend the payment of any dividends to the owners of the Company for the year ended 31 December 2013 (2012: HK\$Nil).

10. Loss per share attributable to the owners of the Company

(a) Basic loss per share

The basic loss per share is calculated based on the loss attributable to owners of the Company of HK\$ 153,128,000 (2012:HK\$58,362,000) and the weighted average number of 419,584,000 shares (2012: 257,865,000) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2013 was the same as the basic loss per share as the potential shares arising from the exercise the Company's warrants and share options would decrease the loss per share of the Group for year and is regarded as anti-dilutive.

The calculation of diluted loss per share for the year ended 31 December 2012 is based on the net loss for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the warrants. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 257,865,000 in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares of approximately 4,643,000 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares at the earliest exercisable date or the beginning of the year ended.

11. Intangible assets

The intangible assets 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. The MOU was then lapsed in June 2011 and a loss of HK\$8,700,000 was recognised in the profit or loss for the year ended 31 December 2011.

12. Interest in associates

At 31 December 2013, the Group has three associates, namely (i) 28% equity interests in Neo Partner Investments Limited and its subsidiary ("Neo Partner Group"); (ii) 45% equity interests in Full Pace Holdings Limited and its subsidiaries ("Full Pace Group"); and (iii) 20% equity interests in Great Steer Limited and its subsidiary ("Great Steer Group").

At 31 December 2013, the directors of the Company reviewed the carrying values for each of the associate based on the associates' profit or loss, net liabilities position and long-term loss. Based on the review, the directors are in the opinion that an impairment loss of HK\$61,549,000 in respect of Great Steer Group should be provided in the profit or loss, whereas no impairment is considered necessary to provide for Neo Partner Group and Full Pace Group for the year ended 31 December 2013 as the recoverable amounts for both Group and Full Pace Group were no material difference from its carrying value.

Impairment loss on Great Steer Group

The impairment loss of HK\$61,549,000 on Great Steer Group was based on the consideration that (i) Great Steer Group did not generate any profits since acquisition; (ii) the actual result and operations of Great Steer Group significantly different from its profit forecast since acquisition; and (iii) its net liabilities position and long-term losses incurred by Great Steer Group. After the provision of such impairment loss, the Group's interests in Great Steer Group was approximately HK\$3.1 million, being approximately 4% of the carrying value of Great Steer Group.

Interests in Great Steer Group was acquired by the Group for a total consideration of HK\$80,000,000, which was satisfied by cash consideration of HK\$9,000,000 and issuance of promissory note with principal amount of HK\$71,000,000. As at 31 December 2013, the Group's aggregate cash outflow for the acquisition of Great Steer Group amounted to approximately HK\$22,000,000, being the cash consideration of HK\$9,000,000 paid upon the completion of the acquisition and settlement of promissory note of approximately HK\$13,000,000 which were early redeemed during the year ended 31 December 2012. The outstanding principal of the promissory note regarding Great Steer Group was HK\$58,000,000 which will be due on 24 November 2015.

13. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	4,889	4,332	–	–
Loan receivables (<i>note (a)</i>)	7,006	3,840	11,000	3,840
Other receivables	3,008	808	1,061	–
Less: Allowance for doubtful debts	(990)	(990)	–	–
	13,913	7,990	12,061	3,840
Investment deposit (<i>note (b)</i>)	30,000	11,500	–	–
Deposits and prepayments	122	2,874	76	1,032
	44,035	22,364	12,137	4,872

Notes:

- (a) As at 31 December 2013, loan receivables comprise of:
- (i) the Group granted a loan to Mr. Lee Kai Ming (李啟明), an independent third party, of approximately HK\$3,800,000, which is unsecured, carry at interest of 4% per annual and matured on 14 December 2012. Due to the situation that the maturity of the loan had been passed and the outstanding balance of approximately HK\$3,994,000 (including cumulative interest) were still outstanding as at 31 December 2013, in opinion of the directors, the recoverability of the loan were in doubt and accordingly, impairment has been fully provided. The Company will take further legal action to recover the debts as soon as appropriate;
 - (ii) the Group granted a loan to Neo Partner Investments Limited, an associate of the Group, of approximately HK\$5,000,000 which is unsecured, 2% interest per annum and receivable on demand; and
 - (iii) the Group granted loan to Full Pace Holdings Limited, an associate of the Group, of approximately HK\$2,006,000, which is unsecured, interest free and receivable on demand.
- (b) As at 31 December 2013, the balance represent a refundable investment deposit of HK\$37,000,000 for two proposed investments which comprised of:
- (i) the Group paid a refundable deposit of HK\$7,000,000 to Chu Chun Kit (朱俊傑) for the proposed acquisition of 49% equity interests in EQM (Int'l) Co. Limited, which was lapsed in 2013. Due to the situation that the proposed investment has been lapsed and the outstanding balances were still outstanding as at 31 December 2013, in opinion of the directors, the recoverability of the deposit were in doubt and, accordingly, impairment has been fully provided. The Company will take further legal action to recover the deposit as soon as appropriate; and
 - (ii) the Group paid a refundable deposit of HK\$30,000,000 for the proposed joint venture investments in Power Asia Global Investments Limited, which was guaranteed by a substantial shareholder of the Company.

The Group's terms on credit sales primarily 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:

	2013	2012
	HK\$'000	HK\$'000
Current	1,536	994
31 – 60 Days	1,689	1,076
61 – 90 Days	159	428
Over 90 Days	1,505	844
	4,889	3,342

Movement in allowance for doubtful debts:

	2013	2012
	HK\$'000	HK\$'000
At 1 January	990	6,277
Uncollectible amount written off	–	(5,287)
At 31 December	990	990

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

	2013	2012
	HK\$'000	HK\$'000
Neither past due nor impaired	4,889	3,342
Past due but not impaired:		
– Less than 1 month	–	–
– 1 to 3 months	–	–
– Over 3 months	–	–
	4,889	3,342

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

Save as disclosed above, none of the prepayments, 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.

14. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	4,681	4,810	–	–
Other payables and accrued charges (<i>note</i>)	16,012	7,376	(95)	1,951
	20,693	12,186	(95)	1,951

Note:

As at 31 December 2013, the balance includes an initial deposit of HK\$7,900,000 received for the disposal of entire equity interests in Fullway (China) Limited and its subsidiaries.

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Current	2,334	278
31 – 60 Days	980	913
61 – 90 Days	752	1,201
Over 90 Days	615	2,418
	4,681	4,810

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

15. Disposal of subsidiaries

During the year ended 31 December 2013, Billion Sky Investment Limited (“Billion Sky”), a wholly owned subsidiary of the Company, increased its issued share capital by allotting shares to the Company and an independent third party at fair value of HK\$390 and HK\$382, respectively. After the allotment of shares, the Company and the independent third party held 51% and 49% of the total issued share capital of Billion Sky respectively. In the opinion of the director, the Group remains control over Billion Sky. Upon the disposal, the Group recognised the non-controlling interests of HK\$781,000, being the 49% of the net liabilities of Billion Sky as at the date of disposal and an increase in equity attributable to owners of the Company of HK\$782,000. The effect of changes in ownership interests of Billion Sky on the equity attributable to owners of the Company during the year is summarised as follows:

	2013	2012
	HK\$'000	HK\$'000
Carrying amount of non-controlling interests disposed of	781	–
Consideration received from non-controlling interests	–	–
	781	–
Gain on disposal within equity	781	–

During the year ended 31 December 2012, the Group a wholly owned subsidiary entered into a sale and purchase agreement for the disposal of the entire equity interests in Chances (B.V.I) Holdings Limited and Splendor Day Limited and its subsidiaries at a cash consideration of US\$2.

Consideration received	HK\$'000
Consideration received in cash and cash equivalent	1

The cash flow and the carrying amount of net liabilities of the subsidiaries sold or deregistered at the date of disposal were as follows:

	Amounts Derecognised
	HK\$'000
Property, plant and equipment	465
Inventories	472
Trade and other receivables	568
Cash and bank balances	107
Trade and other payables	(2,137)
Net liabilities disposed of	(525)
Consideration of disposals	1
Gain on disposal of subsidiaries, net	524
Cash consideration received	1
Cash and cash equivalents disposed of	(107)
Net cash outflow arising on disposals	(106)

EXTRACT OF INDEPENDENT AUDIT'S REPORT

Basis for disclaimer of opinion

LIMITATION OF SCOPE – DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2013, the Group entered into a sale and purchase agreement for the disposal of entire equity interests in Arnda Semiconductor Limited and its subsidiary (the "Arnda Group") for a total cash consideration of HK\$11,000,000 (the "Disposal"). The Disposal has not been completed as at 31 December 2013 and as a result, the assets and liabilities attributable to the Arnda Group have been classified as disposal group classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Further details of the Disposal has been set out in note 25 and 36 to the consolidated financial statements.

In accordance with HKFRS 5, the assets and liabilities of Arnda Group should be recorded at the lower of carrying amount and fair value less cost to sell. During our course of audit, the Group was unable to provide sufficient appropriate audit evidence regarding the financial statements of Arnda Group for the year ended 31 December 2013. Based on the representation made by the directors of the Company, the incident was due to the fact that a director of Arnda Group ("Arnda Director") who was responsible for keeping the accounting records resigned on 18 December 2013. For the purpose of preparing the consolidated financial statements of the Group for the year ended 31 December 2013, the directors of the Company requested the Arnda Director, and the Arnda director has provided the management accounts of Arnda Group for the year ended 31 December 2013 without necessary supporting documents. Under this circumstance, we were unable to perform appropriate audit procedures to ensure the completeness and accuracy of the financial statements of Arnda Group for the year ended 31 December 2013. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine whether the carrying amount of assets and liabilities of Arnda Group classified as disposal group classified as held for sales as at 31 December 2013 included in the consolidated statement of financial position were measured at the lower of carrying amount and fair value less cost to sell in accordance with HKFRS 5.

Furthermore, since Arnda Group was a wholly owned subsidiaries of the Group, the financial statements of Arnda Group has been consolidated to the Group's consolidated financial statements for the year ended 31 December 2013. However, due to the incident of Arnda Group as described in previous paragraph, no supporting documents regarding the financial statements of Arnda Group for the year ended 31 December 2013 was available for our audit. Under this circumstance, we were unable to obtain sufficient appropriate audit evidence and by any alternative means to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of the financial statements of Arnda Group which included in the consolidated financial statements of the Group for the year ended 31 December 2013. Furthermore, we have been unable to satisfy ourselves that any impairment loss regarding the assets of Arnda Group should be provided and any liabilities including contingent liabilities should be provided or disclosed in the consolidated financial statements of the Group for the year ended 31 December 2013.

Any adjustments found to be necessary in respect thereof would have a significant and consequential effect on the financial position of the Group as at 31 December 2013, the results and cash flows for the year ended 31 December 2013 and related disclosure thereof in the consolidated financial statements of the Group for the year ended 31 December 2013.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. According, we do not express an opinion on the consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2013 decreased by HK\$1.9 million; cost of sales increased by HK\$1.4 million. Gross profit margin decreased to 0.4% for the year ended 31 December 2013 from 12.7% for the year ended 31 December 2012.

Net loss attributable to shareholders amounted to approximately HK\$153.1 million (2012: HK\$58.3 million). Basic loss per share for the year was HK36.54 cents (2012: HK22.63 cents).

Turnover generated from European customers decreased to HK\$13.1 million for the year ended 31 December 2013, representing a decrease of approximately 11.8% from that of HK\$14.8 million generated from the year ended 31 December 2012. There was no sales to customers in Taiwan for the year ended 31 December 2013 (2012: HK\$0.03 million). Turnover from Hong Kong customers decreased to HK\$1.1 million for the year ended 31 December 2013, representing a decrease of approximately 86.5% from that of HK\$8.3 million generated for the year ended 31 December 2012. Turnover from PRC customers increased to HK\$10.9 million for the year ended 31 December 2013, representing an increase of approximately 182.6% from that of HK\$3.9 million for the year ended 31 December 2012.

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the year ended 31 December 2013 decreased by HK\$2.0 million. Cost of sales of the sapphire watch crystals during the same year decreased by HK\$2.9 million.

Optoelectronics products division

The sales of ferrules for the year ended 31 December 2013 and 2012 were amounted to HK\$2.1 million and HK\$3.5 million respectively. Cost of sales for the corresponding years were HK\$4.4 million and HK\$3.3 million respectively.

Liquor products division

Sales from the liquor products division for the year ended 31 December 2013 and 2012 were amounted to HK\$1.7 million and HK\$0.2 million respectively. Cost of sales for the year ended 31 December 2013 and 2012 were amounted to HK\$2.6 million and HK\$0.2 million respectively.

Fashion

No turnover is recorded for the year ended 31 December 2013 (2012: HK\$0.5 million).

Integrated circuits and embedded software trading and development division

The sales of integrated circuits and embedded software development and reselling for the year ended 31 December 2013 was amounted to HK\$0.9 million (2012: HK\$0.4 million). Cost of sales for the corresponding years were HK\$1 million. (2012: HK\$0.01 million).

Other income and gains

Other income and gains for the year ended 31 December 2013 amounted to HK\$0.7 million, representing a decrease of approximately HK\$0.6 million from that of HK\$1.3 million generated from the year ended 31 December 2012.

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

Selling and distribution costs for the year ended 31 December 2013 amounted to approximately HK\$1.0 million. This represents a decrease of approximately HK\$0.5 million from that recorded for the year ended 31 December 2012.

Total administrative and operating expenses were approximately HK\$75.3 million for the year ended 31 December 2013 (2012: HK\$56.7 million).

The increase in the total administrative and operating expenses was mainly attributable to the increase in the equity-settled share-based payment expenses recorded for the year ended 31 December 2013.

Impairment loss on Great Steer Group

The impairment loss of HK\$61,549,000 on Great Steer Group was based on the consideration that (i) Great Steer Group did not generate any profits since acquisition; (ii) the actual result and operations of Great Steer Group significantly different from its profit forecast since acquisition; and (iii) its net liabilities position and long-term losses incurred by Great Steer Group. After the provision of such impairment loss, the Group interests in Great Steer Group was approximately HK\$3.1 million, being approximately 4% of the carrying value of Great Steer Group.

Interests in Great Steer Group was acquired by the Group for a total consideration of HK\$80,000,000, which was satisfied by cash consideration of HK\$9,000,000 and issuance of promissory note with principal amount of HK\$71,000,000. As at 31 December 2013, the Group's aggregate cash outflow for the acquisition of Great Steer Group amounted to approximately HK\$22,000,000, being the cash consideration of HK\$9,000,000 paid upon completion of the acquisition and settlement of promissory note of approximately HK\$13,000,000 which were early redeemed during the year ended 31 December 2012. The outstanding principal of the promissory note in respect of Great Steer Group was HK\$58,000,000 which will be due on 24 November 2015.

Impairment losses on loan receivable and refundable deposit

The Group granted a loan to Mr. Lee Kai Ming, (李啟明) an independent third party, of approximately HK\$3,800,000, which is unsecured, carry at interest of 4% per annual and matured on 14 December 2012. Due to the situation that the maturity of the loan had been passed and the outstanding balance of approximately HK\$3,994,000 (including cumulative interest) were still outstanding as at 31 December 2013, in opinion of the directors, the recoverability of the loan were in doubt and accordingly, impairment has been fully provided. The Company will take further legal action to recover the debts as soon as appropriate;

The Group paid a refundable deposit of HK\$7,000,000 to Chu Chun Kit (朱俊傑) for the proposed acquisition of 49% equity interests in EQM (Int'l) Co. Limited, which was lapsed in 2013. Due to the situation that the proposed investment has been lapsed and the outstanding balances were still outstanding as at 31 December 2013, in opinion of the directors, the recoverability of the deposit were in doubt and, accordingly, impairment has been fully provided. The Company will take further legal action to recover the deposit as soon as appropriate.

Financial resources and liquidity

The Group's shareholders' funds were decreased to approximately HK\$27.0 million as at 31 December 2013 (2012: HK\$50.8 million). Current assets amounted to approximately HK\$62.4 million as at 31 December 2013 (2012: HK\$32.0 million), of which approximately HK\$0.8 million (2012: HK\$3.7 million) was cash and bank balances and approximately HK\$44.0 million (2012: HK\$22.3 million) was trade and other receivables.

As at 31 December 2013, the Group's total borrowings amounted to approximately HK\$112.8 million (2012: HK\$56.4 million), of which HK\$2.8 million (2012: HK\$3.0 million) were short-term borrowings repayable within one year.

The Group's gearing ratios as at 31 December 2013 was 84.1% (2012: 56.1%). 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 and promissory note, 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 2013, 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 2013, 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 2013, the Group had no material contingent liabilities.

Capital structure

On 5 March 2013, a warrant placing agreement was entered between the Company and a placing agent to procure not less than six placees to subscribe for 64,130,329 warrants at issue price of HK\$0.01 per warrant. The subscription price of the aforesaid warrants is HK\$0.53 each. The placing of warrants was completed on 17 April 2013.

On 22 March 2013, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for, and aggregate of 5,000,000 Subscription Shares at the Subscription Price of HK\$0.70 per Share. The placing was completed on 3 May 2013.

On 31 May 2013, a Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six Placees, on a best effort basis, for subscribing up to an aggregate of 70,000,000 Placing Shares at HK\$0.80 per Placing Share. The placing was completed on 5 July 2013.

On 22 July 2013, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, and aggregate of 1,900,000 Subscription Shares at the Subscription Price of HK\$2.23 per Share. The placing was completed on 26 August 2013.

On 22 July 2013, for the continuing financial advisory service provided to the Company by Chanceton Capital Partners Limited for the period started since 1 January 2013, the financial advisory fee would be satisfied by the issue of 1,000,000 Remuneration Shares to Chanceton Capital at an issue price of HK\$2.23 per Remuneration Share. The issue of Remuneration Shares was completed on 13 August 2013.

During the year, 16,432,443 ordinary shares of HK\$0.05 at an exercise price of HK\$0.254 per share were issued in respect of the exercise of share option by employees under the share option scheme.

During the year, 5,000,000 ordinary shares of HK\$0.05 at a subscription price of HK\$0.81 were issued in respect of the exercise of warrants.

During the year, 40,130,329 ordinary shares of HK\$0.05 at a subscription price of HK\$0.53 were issued in respect of the exercise of warrants.

On 19 November 2013, the Company has granted, subject to acceptance of the grantees (“Grantees”), share options (the “Options”) to certain eligible persons under the share option scheme of the Company adopted on 8 March 2011, to subscribe for a total of 37,100,000 ordinary shares of HK\$0.05 each of the Company.

Employees

As at 31 December 2013, the Group had 103 (2012: 119) 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 2013 were approximately HK\$43.5 million (including equity-settled share-based payment expenses of approximately HK\$34.2 million) (2012: HK\$25.3 million (including equity-settled share-based payment expenses of approximately HK\$3.3 million)). The increase in the staff costs is primarily due to the increase of equity-settled share-based payment expenses.

Litigation

- i) On 6 March 2012, the Company was named as one of the defendants and other defendants are current and former directors of the Company in a litigation. The allegations were focused on the validity of the Special General Meeting dated 19 March 2012. Amount of claims and damages had not been stated in the writ. The Company had appointed a legal advisor to deal with this allegation, in the views of directors, the allegation would not have any financial impact to the financial statements.
- ii) On 14 March 2012, the Company was named as one of the defendants and other defendants are current and former directors of the Company in a litigation. The allegations were focused on the validity of the issuance of warrants and share options in March 2012. Amounts of claims and damages had not been mentioned in the writ. The Company had appointed a legal advisor to deal with this allegation. In the view of the directors, the allegation would not have any financial impact to the financial statements.
- iii) On 28 February 2014, Excel Energy Holdings Limited, a wholly owned subsidiary of the Company and the Company named as the 1st defendant and 2nd defendant (“Defendants”) in respect of the allegations that the Defendants failed and/or refused to honour their respective obligations under agreement dated 3 December 2013 for the disposal of the entire equity interests in Fullway (China) Limited and its subsidiary at a consideration of HK\$13,800,000, for which the plaintiff paid HK\$7,900,000 as an initial deposits to the Defendant as disclosed to note 26 to the consolidated financial statements. The Company had appointed a legal adviser to deal with this allegation. In view of the directors, the maximum exposure of the allegation would be the repayment of the initial deposits of HK\$7,900,000 and the related interests thereon under the High Court Ordinance.
- iv) On 27 March 2014, Good Return (BVI) Limited (a wholly-owned subsidiary of the Company) (“Good Return”) issued writs of summons against Wickham Ventures Limited (“Wickham”) and Ms. Lee Hei Wun (“Ms. Lee”) for claiming, inter alia, the profit guarantee shortfall in the sum of HK\$3,000,000 as a result of the inability of Arnda Semiconductor Limited (“Arnda”) to make any profit during the year ended 31 December 2012. Reference is made to the Company’s announcements dated 6 April 2011, 19 March 2012 and 24 March 2014. Pursuant to the sale and purchase agreement under which Good Return acquired Arnda Semiconductor Limited from Wickham in 2011, Wickham and Ms. Lee guarantee to pay to Good Return the difference between the actual amount of net profit after tax of Arnda and the guaranteed profit in the sum of HK\$3,000,000 for the year ended 31 December 2012. According to the audited accounts of Arnda for the year ended 31 December 2012, Arnda made a loss of HK\$1,252,101 and thus the profit guarantee shortfall is HK\$3,000,000, which Wickham and Ms. Lee have failed to pay to Good Return despite its demand.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation at the end of the reporting period.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the period, the Group acquired 28% issued share capital of Neo Partner Investments Limited where the consideration was HK\$23,800,000 and was satisfied by cash and the issue of promissory note. The Group also acquired 45% issued share capital of Full Pace Holdings Limited where consideration was HK\$50,000,000 and was satisfied by the issue of promissory note.

In June 2013, a subsidiary of the Company, Billion Sky Investment Limited (“Billion Sky”), increased the issued share capital by allotting shares to the Company and an Independent third party at fair value of HK\$390 and HK\$382 respectively. After the issue of the shares, the Company and the independent third party held 51% and 49% of the total issued share capital of Billion Sky respectively. Billion Sky owns 100% interest in Rich Point International Limited, a company engaged in the trading of liquor.

On 16 August 2013, Good Return (BVI) Limited, a wholly-owned subsidiary of the Company entered into the sale and purchase agreement with the Primary Billion Limited for the sale of the entire issued share capital of, and shareholder’s loan extended to, Arnda Semiconductor Limited, a wholly-owned subsidiary of the Company prior to the completion of the sale and purchase agreement at an aggregate consideration of HK\$11 million. Since certain conditions under the sale and purchase agreement were not fulfilled, the transaction was subsequently terminated.

On 3 December 2013, Excel Energy Holdings Limited (which is a wholly-owned subsidiary of the Company) and Long China Holdings Limited entered into the sale and purchase agreement, pursuant to which Excel Energy Holdings Limited would sell and Long China Holdings Limited will acquire the entire issued share capital of Fullway (China) Limited at the total consideration of HK\$13,800,000. The transaction was not yet completed during the year.

On 6 December 2013, Jewel King Limited, a wholly-owned subsidiary of the Company, Ms. Hui Sai Ha (“Ms. Hui”), World Sheen International Group Limited (“World Sheen”) and the Company entered into the Sale and Purchase Agreement whereby Jewel King Limited has conditionally agreed to acquire 18 shares in the issued share capital of World Sheen from Ms. Hui, representing 18% of the issued share capital of World Sheen, for the consideration of HK\$52,000,000, which is satisfied by 40,000,000 Shares to be allotted and issued, credited as fully paid at an issue price of HK\$1.3 per share. Upon Completion, World Sheen will be accounted for as an investment available for sale in the financial statements of the Company. The transaction was completed on 10 January 2014.

Save as above, the Group had no other material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2013.

Segmental Information

An analysis of the Group’s performance for the year by the type of goods sold is set out in note 7 to the financial statements and further elaborated under “Financial Review” of this section.

BUSINESS REVIEW

During the year the Group recorded a decrease in turnover and an increase in loss attributable to equity shareholders of Company. The turnover was approximately HK\$25.1 million (2012: approximately HK\$27.0 million), representing a decrease of 7.1% as compared to last year. The decrease in turnover was mainly due to decrease in market demand in both sapphire watch crystals and optoelectronics products. Loss attributable to equity shareholders of the Company for year ended 31 December 2013 was approximately HK\$153.1 million (2012: HK\$58.4 million). The loss was mainly attributable to the impairment loss on trade and other receivables of approximately HK\$12.4 million, impairment loss on interest in an associate of approximately HK\$61.5 million and the increase in staff costs upon the recognition of equity-settled share-based payment of approximately HK\$34.2 million.

During the year, the principal businesses of the Group are investment holding, property investment, manufacturing and sale of synthetic sapphire watch crystals, optoelectronics products, trading of liquor products and fashion, and the integrated circuits and software trading and development.

On 23 January 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company completed the acquisition of 28% issued share capital of Neo Partner Investments Limited, which indirectly holds a subsidiary engaged in the business of distribution of smart products in the PRC. The consideration of the acquisition was HK\$23,800,000 and was satisfied by cash and the issue of promissory note.

On 5 March 2013, the Company entered into the Memorandum Of Understanding with Zhong Ba Xing Ye in relation to the Possible Cooperation in developing a Business to consumer commerce platform under the E-Commerce Project within the rural towns and cities of the PRC.

On 6 March 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company and Great China Media Holdings Limited entered into a sale and purchase agreement in relation to the acquisition of 45% issued share capital of Full Pace Holdings Limited, which indirectly holds a subsidiary engaged in the license and concessionary advertising business in the mass public transportation systems in the Hong Kong and the distribution of Stratospheres within the territory of the PRC, Hong Kong and Macau. The consideration of the acquisition amounted was HK\$50,000,000 and was satisfied by the issue of promissory note.

On 28 March 2013, owing to certain conditions were not fulfilled, all parties agreed to terminate the agreements in relation to the proposed acquisition of approximately 25% shareholding in Beaming Enterprises Limited without any claims or liability with effect from 28 March 2013.

On 7 June 2013, Gains Achieve Limited (“Gains Achieve”), a wholly-owned subsidiary of the Company and Strong Base Holdings Limited (“Strong Base”) entered into the sale and purchase agreement, pursuant to which, among other things, Strong Base agreed to sell, and the Gains Achieve agreed to purchase the large display system unit at a consideration of HK\$10 million in cash. The large display system unit consisted of control unit for processing content signal and large display unit for displaying the content which could provide further potential rental income by leasing out the large display system.

On 8 July 2013, a wholly owned subsidiary of the Company, Option Best Limited (“Option Best”), has signed a memorandum of understanding (the “MOU”) with (1) the joint venture company, Power Asia Global Investments Limited (力亞環球投資有限公司) (the “JV Co.”); (2) On Charter Global Investments Limited (安卓環球投資有限公司) (“On Charter”); and (3) Mr. Fang Rongzi, in respect of Option Best’s and On Charter’s investment in the JV Co. (the “Proposed Investments”).

Pursuant to the MOU, Option Best has paid to the JV Co. in cash HK\$30,000,000 as earnest money (the “Earnest Money”) for the Proposed Investments upon the signing the MOU. Nevertheless, the exact investment amounts of Option Best and On Charter into the JV Co. and whether the Proposed Investments shall be settled in cash or in kind shall be subject to further negotiations between Option Best and On Charter based on the proposed business projects to be carried out by the JV Co. The MOU provided that On Charter and the JV Co. should grant to Option Best an exclusive right to discuss, negotiate and finalise a joint venture agreement (the “JV Agreement”) for the Proposed Investments for a period of four months commencing from (and exclusive of) the date of the MOU (the “Exclusivity Period”).

On 12 July 2013, Gains Achieve Limited (“Gains Achieve”), a wholly-owned subsidiary of the Company and the Strong Base Holdings Limited (“Strong Base”) entered into the sale and purchase agreement, pursuant to which, among other things, Strong Base agreed to sell, and Gains Achieve agreed to purchase a large LED display system unit at the consideration of HK\$13.5 million. The large LED display system unit is for information display or advertisement usage. The Assets consists of a control unit for processing content signal and a large LED display unit for displaying the content. The transaction was completed on 17 July 2013.

Reference is made to the announcements dated 27 November 2012 and 27 May 2013 respectively, the Company, Billion Sky Investment Limited (a wholly owned subsidiary of the Company), Central Pacific International Group Limited (“Central Pacific”) and Mr. Tang Wai Ting entered into a sale and purchase agreement in relation to the acquisition of 4.5% shareholding in Central Pacific at a consideration of HK\$10 million. Since the conditions precedent to the acquisition have not been fulfilled, the Board has decided not to extend the Long Stop Date and the sale and purchase agreement was automatically terminated during the period. Upon such termination, each party to the sale and purchase agreement ceased to have any right against or liability towards each other and each party had confirmed that it has no claims against other parties in relation to the sale and purchase agreement.

On 12 July 2013, the Company entered into the Cooperation Agreement with Shanghai Zhou Ming Video Equipment Company Limited (“Shanghai Zhou Ming”), pursuant to which Shanghai Zhou Ming agreed, among other things, to provide adequate spare parts for LED display of the Company in return for, amongst other things, not more than HK\$1 million in cash as capital for the development and working capital for the operation of Beijing LED rental market and an leasing operation team.

During the year, the Company was in the process of negotiating with Jiangsu Liantai Guoji Energy- saving Environmental Technology Company Limited (江蘇聯泰國基節能環保科技有限公司) for an investment cooperation project named Jiangsu Liantai Guoji Energysaving Environmental Technology Industrial Park (江蘇聯泰國基節能環保科技產業園) (the “Industrial Park”). The first phase of the Industrial Park occupies an area of approximately 600 mu and is strategically located just two kilometres off the Yixing exit of a highway and next to Route 104 west of Yixing City, Jiangsu Province of the People’s Republic of China.

On 8 August 2013, the Company entered into the memorandum of understanding with Guangzhou Yi Zhi Tong Information Technology Company Limited (“Yi Zhi Tong”) in relation to the establishment of a the joint venture company for the development of the E-Commerce Project in the PRC (“Possible Cooperation”). Yi Zhi Tong is an information technology company incorporated with limited liability in the PRC with advanced technology and product development capacity. It has newly developed an innovative selfservice terminal which acts as an interactive multi-media integrating mobile, internet and selfservice terminal network. The function of the self-service terminal includes telephone top-up, movie ticket purchase, and repayment of credit card bills.

On 16 August 2013, Good Return (BVI) Limited (“Good Return”), a wholly-owned subsidiary of the Company entered into the sale and purchase agreement with the Primary Billion Limited for the sale of the entire issued share capital of, and shareholder’s loan extended to, Arnda Semiconductor Limited (“Arnda”), a wholly-owned subsidiary of the Company prior to the completion of the sale and purchase agreement at an aggregate consideration of HK\$11 million. Owing to certain conditions under the sales and purchase agreement were not fulfilled, the transaction was terminated.

Reference was made to the Company’s announcements dated 6 April 2011 and 19 March 2012 in relation to the Company’s acquisition (the “Acquisition – Arnda”) of, inter alia, the entire issued share capital of Arnda. The Acquisition – Arnda has already been completed in 2011.

Pursuant to the terms of the sale and purchase agreement for the Acquisition – Arnda made between Wickham Ventures Limited (“Wickham”) as vendor, Good Return as purchaser, Arnda as target company and Lee Hei Wun (“Ms. Lee”) as guarantor dated 1 April 2011 (which was amended by two supplemental agreements dated 31 May 2011 and 17 March 2012) (the “Acquisition Agreement”), each of Wickham and Ms. Lee guarantees to Good Return, inter alia, that:

- (i) the net profit after tax (calculated on yearly basis according to the generally accepted accounting principle in Hong Kong) of Arnda for the year ending 31 December 2012 shall be not less than HK\$3,000,000;
- (ii) the net profit after tax (calculated on yearly basis according to the generally accepted accounting principle in Hong Kong) of Arnda for the year ending 31 December 2013 shall be not less than HK\$4,000,000; and
- (iii) the net profit after tax (calculated on yearly basis according to the generally accepted accounting principle in Hong Kong) of Arnda for the year ending 31 December 2014 shall be not less than HK\$6,000,000.

Each of Wickham and Ms. Lee undertook to pay to Good Return any profit guarantee shortfall (that is, the difference between the guaranteed amounts of net profit after tax and the actual amounts of the net profit after tax of the Arnda) (the "Profit Guarantee Shortfall") within 3 days upon Good Return's demand.

According to the audited accounts, Arnda actually made a loss in the amount of HK\$1,252,101 in the year ended 31 December 2012. So the Profit Guarantee Shortfall for the year ended 31 December 2012 is in the sum of HK\$3,000,000 (the "Year 2012 Profit Guarantee Shortfall").

The Company has instructed its legal advisor to issued a writ of summons against Wickham and Ms. Lee for demanding payment of the Year 2012 Profit Guarantee Shortfall on 27 March 2014.

According to the preliminary review of the unaudited management accounts of Arnda, the Board expects that Arnda will not be able to meet the guaranteed net profit after tax of HK\$4,000,000 for the year ended 31 December 2013. Once the audited accounts of Arnda are prepared, the Company will instruct its legal advisor to take further action against Wickham and Ms. Lee for demanding payment of the amount of the Profit Guarantee Shortfall for the year ended 31 December 2013.

On 30 September 2013, the Company entered into the memorandum of understanding with the shareholders who own 51% of the issued share capital of Shenzhen San Sheng Gao Technology Holdings Company Limited ("Shenzhen San Sheng Gao") in relation to the possible acquisition of 51% of the issued share capital of Shenzhen San Sheng Gao.

Shenzhen San Sheng Gao is a company incorporated on 24 December 2007 with limited liability in the PRC. It is principally engaged in development, manufacturing and sales of light emitting diode ("LED") products, LED display, semiconductor lighting products and other electrical integration products, computer software products and indoor and outdoor full color LED electronic display technology development.

On 2 October 2013, the Company entered into the memorandum of understanding with Sichuang Element of Life Electronic Commerce Company ("Element of Life") in relation to the establishment of a joint venture company ("JV Company") for the development of the E-Commerce Project in the PRC.

The Company has expressed intention to establish a JV Company for the development of the E-Commerce Project together with Element of Life to explore the consumer market in the PRC and the Parties have agreed to enter into the memorandum of understanding with the intention of further negotiations for a formal cooperation agreement.

Element of Life is an information technology company incorporated with limited liability in the PRC with advanced technology and product development capacity. It has newly developed an innovative self-service terminal which acts as an interactive multi-media integrating mobile, internet and selfservice terminal network. The function of the selfservice terminal includes telephone top-up, movie ticket purchase, and repayment of credit card bills.

On 3 December 2013, Excel Energy Holdings Limited (which is a wholly-owned subsidiary of the Company) and Long China Holdings Limited entered into the sale and purchase agreement, pursuant to which Excel Energy Holdings Limited would sell and Long China Holdings Limited will acquire the entire issued share capital of Fullway (China) Limited at the total consideration of HK\$13,800,000. The transaction was not yet completed during the year.

Fullway (China) Limited indirectly wholly-owned a two-storey villa for residential purpose with a gross floor area of approximately 433 square meters situated in Bai Sa Wan Rose Garden (白沙灣玫瑰園) at Songlan Mountain Resort Area (松蘭山度假區) in Xiangshan County (象山縣), Ningbo City, Zhejiang Province of the PRC (the "Property").

Since the Group's acquisition of Fullway (China) Limited in March 2012, the Property has remained vacant and the Group was unable to lease out the Property to suitable tenant for generating any rental income for the Group. The Directors considered that the future trend of the PRC property market would be uncertain and the disposal represented a good opportunity to realize this investment. Also, the proceeds from the disposal can be used to finance the Company's repayment of its judgment debt and to strengthen its working capital which would be more beneficial to the Group. In light of the above, the Board believed that the disposal would benefit the Group and the disposal will not cause any material adverse impact on the financial position or business operation of the Group.

On 6 December 2013, Jewel King Limited, a wholly-owned subsidiary of the Company, Ms. Hui Sai Ha ("Ms. Hui), World Sheen International Group Limited ("World Sheen") and the Company entered into the Sale and Purchase Agreement whereby Jewel King Limited has conditionally agreed to acquire 18 shares in the issued share capital of World Sheen from Ms. Hui, representing 18% of the issued share capital of World Sheen, for the consideration of HK\$52,000,000, which is satisfied by 40,000,000 Shares to be allotted and issued, credited as fully paid at an issue price of HK\$1.3 per share.

World Sheen is principally engaged in providing solar power and lighting solutions such as installing solar powered products and generators, it is also engaged in sale of PV panels. The company has been emphasising on the development and production of hi-tech practical products. For years, World Sheen has been devoting its effort on new energy development, solar energy-efficient and environmentally friendly series products and research and development, design, production and sales of solar-related items such as solar power generation, solar cell and low-carbon environmentally friendly lighting equipment.

Upon Completion, World Sheen will be accounted for as an investment available for sale in the financial statements of the Company. The transaction was completed on 10 January 2014.

On 11 December 2013, the Company entered into the memorandum of understanding ("MOU") with the shareholders of Element of eLiving (Holdings) Limited ("eLiving Holdings") in relation to the acquisition of 12% of the issued share capital of eLiving Holdings at a consideration of HK\$140,000,000 which may be settled by the issuance of shares, convertible bonds and/or other financial instruments.

Upon the completion of the transaction, the Company would indirectly own 12% of the issued share capital of Element of Life. The principal business of Element of Life is electronic commerce specializing in online retail and sale of household items (including without limitation, household merchandises, household ornaments, household textile, furniture, apparel, bags, shoes, maternal and child products), food items (including without limitation, imported packaged food, beverages, wines and spirits) and digital appliances (including without limitation, household electronic appliances, digital communication devices, computers and high-tech products) in mainland China. Element of Life will also set up "experience centres" for potential customers to try out the products before purchasing online, and for providing seasonal maintenance and storage services for customers.

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.

On 30 January 2014, Mr. Lee Man Bun and the Company entered into the sale and purchase agreement, pursuant to which the Company would acquire 16,595,000 ordinary shares of £0.01 each in the issued share capital of Gowin New Energy Group Limited, a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on AIM of the London Stock Exchange at the consideration of HK\$15,725,280. The consideration would be satisfied in full by the Company's allotment and issue of 13,556,276 Shares at the issue price of HK\$1.16 per Share.

The Board considered that the shares acquired have the potential of appreciation in value in the long-run, as the Board believed that Gowin New Energy Group Limited and its subsidiaries should be able to take advantage of favourable market and industry conditions, in particular the popularity of energy saving concepts which, when combined with incentives from the PRC central government, improvements in LED technology and the decrease in prices of LED lighting solutions in the PRC, are making LED solutions more affordable.

On 28 February 2014, Silver Bonus Limited, a limited liability company incorporated under the laws of British Virgin Islands and a wholly-owned subsidiary of the Company, He A Jiao and Dai Zhongjin and the Company entered into the Sale and Purchase Agreement whereby Silver Bonus Limited has conditionally agreed to acquire from He A Jiao and Dai Zhongjin the 20 shares in the issue share capital of Central Tech Asia Limited ("Central Tech"), representing 20% of the issued share capital of Central Tech, for the consideration of HK\$26,000,000 which shall be satisfied by the allotment and issue, credited as fully paid, of 20,000,000 Shares of the Company at an issue price of HK\$1.3 per share to He A Jiao and Dai Zhongjin on the completion date.

He A Jiao and Dai Zhongjin granted to Silver Bonus Limited a call option to purchase up to all the option shares (an aggregate of 80 shares beneficially owned by He A Jiao and Dai Zhongjin, and representing 80% of the entire issued share capital of the Central Tech immediately after Completion) each at the exercise price within exercise period of 12 months upon signing of the Agreement which shall be calculated by reference to the following formula:

Exercise Price = $130,000,000 \times \text{option shares at each call option notice} / \text{Total number of issued shares of the Central Tech}$

The option shares should be sold by He A Jiao and Dai Zhongjin free from encumbrances and together with all rights attaching thereto as at each call completion date. Silver Bonus Limited might itself purchase the option shares or procure its group companies to do so.

Upon completion, Central Tech will be accounted for as an investment available for sale in the financial statements of the Company.

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 2013.

COMPETING INTERESTS

During the year ended 31 December 2013, 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 applied the principles and complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2013 with the exception of certain deviations as set out in this announcement. The application of the relevant principles and the reasons for the abovementioned deviation are contained in this announcement.

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 five independent non-executive directors, namely Mr. Jal Nadirshaw Karbhari, Ms. Chan Wing Sze, Mr. Tse Wa Ngok, Mr. Zou Weijun and Mr. Koo Kim Shing 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.

By order of the Board

Seamless Green China (Holdings) Limited

Liu Zhong Ping

Executive Director

Hong Kong, 28 March 2014

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

- (1) Mr. Li Jian Chao, as an executive Director and Chairman;
- (2) Mr. Xu Xuefeng, as an executive Director;
- (3) Mr. Ho Chun Kit Gregory, as an executive Director;
- (4) Mr. Liu Zhong Ping, as an executive Director;
- (5) Mr. Leung Wah, as an executive Director;
- (6) Ms. Lee Po Chu Feona, as an executive Director;
- (7) Mr. Fok Ching Fung, as an executive Director;
- (8) Mr. Jal Nadirshaw Karbhari, as an independent non-executive Director;
- (9) Ms. Chan Wing Sze, as an independent non-executive Director;
- (10) Mr. Tse Wa Ngok, as an independent non-executive Director;
- (11) Mr. Zou Weijun, as an independent non-executive Director; and
- (12) Mr. Koo Kim Shing, 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 www.victoryhousefp.com/lchp/8150.html.