無縫綠色中國(集團)有限公司

Seamless Green China (Holdings) Ltd.

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

Stock Code: 8150

Annual Report 2009

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 report, for which the directors of Seamless Green China (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Seamless Green China (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATION INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and principal place of business	Unit 1906-07, 19/F., Cosco Tower, 183 Queen's Road Central, Hong Kong
Executive Directors	Mr. Chan Chung Keung Jackon *(Chairman)* Mr. Wong Kwok Wai Mr. Zhao Wen Tao Mr. Chung Ming Tru, Daniel Ms. Chan Yim Kum Mr. Wong Pak Fai Philip Mr. Gao Zhiwei
Independent Non-executive Directors	Mr. Liu Chun Ning Wilfred Mr. Tso Chip Mr. Lee Tao Wai Mr. Tsui Siu Hung
Company Secretary/Authorized Representative	Ms. Chan Yim Kum
Audit Committee	Mr. Liu Chun Ning Wilfred Mr. Tso Chip Mr. Lee Tao Wai Mr. Tsui Siu Hung
Remuneration Committee	Mr. Liu Chun Ning Wilfred Mr. Tso Chip Mr. Lee Tao Wai Mr. Tsui Siu Hung
Finance Committee	Ms. Chan Yim Kum Mr. Lee Tao Wai Mr. Tsui Siu Hung

Nominee Committee	Mr. Chan Chung Keung Jackon Mr. Lee Tao Wai Mr. Tsui Siu Hung
Compliance Adviser	Partners Capital International Limited
Principal share registrar transfer office	Butterfield Fund Services (Bermuda) Ltd Rosebank Centre 11 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Abacus Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditors	PAN-CHINA (H.K.) CPA LIMITED
Stock Code	8150

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Seamless Green China (Holdings) Limited (the "Company"), I am pleased to present the annual reports of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2009.

RESULTS

During the year under review, the Group recorded a revenue of approximately HK$15.7 million (2008: HK$31.0 million), representing a decrease of approximately 49.35% against the prior year. Owing to the global financial crisis, the Group recorded a loss on trading marketable securities of approximately HK$1.5 million (2008: gain of HK$0.5 million). Net loss attributable to the owners of the Company amounted to approximately HK$3.1 million (2008: net loss HK$7.3 million). Basic loss per share for the year was HK0.11 cents (2008: HK2.44 cents).

BUSINESSES

The principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products.

Synthetic Sapphire Watch

Sales of sapphire watch crystal in 2009 decreased by 54.4% to approximately 12.8 million as a result of the keen competition in the market and the decrease in market demand since the global economic downturn.

Optoelectronic Product

During 2009, there was no significant change in the optoelectronic products market. Sales from the optoelectronic products division in 2009 was approximately HK$2.9 million (2008: HK$2.9 million).

PROSPECTS

Having considered that China and global economies started to be recovering, the Board expects that both synthetic sapphire watch market and optoelectronic product market will be benefited. The Group will focus to explore new customer while keeping the cost as low as possible. In order to broaden its income stream and to diversify the risk of reliance on single industry, the Board decided to make investment in the energy-efficient product market and taken successful steps in 2009. The Board believes that the investment will create incredible income stream to the Group.

During the year 2009, the Group was facing an insufficient operating cash flow problem. Nevertheless, the Board endeavors to improve the group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors explored various solutions to enlarge the group's capital base, which include the proposal to issue new shares in order to provide additional equity funding to the Group.

Finally, for and on behalf of the Group and the Board, I would like to express my heartfelt thanks to our shareholders and customers for their enduring support and to all my colleagues for their dedication and hard work throughout the year. Your dedication and involvement will be the most valuable asset for the growth of the company.

Chan Chung Keung Jackon
Chairman

4 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The turnover of the Group for the year ended 31 December 2009 decreased by HK$15.31 million; cost of sales during the same period decreased to HK$15.69 million for the year ended 31 December 2009 from that of HK$27.9 million for the year ended 31 December 2008. Gross profit margin decreased to 0.2% for the year ended 31 December 2009 from 10.13% for the year ended 31 December 2008. The decrease in gross profit margin was primarily due to the decrease in product selling price.

Since there was a decrease in the market demand of high-end products, the Company had to sell low-end products in order to maintain its market share.

In addition, due to the global financial crisis, the Group recorded a loss on trading marketable securities of approximately HK$1.5 million (2008: gain of HK$0.5 million). Net loss attributable to shareholders amounted to approximately HK$3.1 million (2008: net loss HK$7.3 million). Basic loss per share for the year was HK0.11 cents (2008: HK2.44 cents).

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the year 31 December 2009 decreased by HK$15.3 million; cost of sales of the sapphire watch crystals during the same period decreased to HK$13.7 million from that of HK$24.1 million in the year ended 31 December 2008.

Turnover generated from European customers decreased to HK$7.3 million for the year ended 31 December 2009, representing a decrease of approximately 63.7% from that of HK$20.1 million generated from the year ended 31 December 2008. Sales to customers in Taiwan decreased to HK$1.5 million for the year ended 31 December 2009, representing a decrease of approximately 59.8% from that of HK$3.7 million for the year ended December 2008. Turnover from Hong Kong customers increased to HK$4.0 million for the year ended 31 December 2009, representing an increase of approximately 134.9% from that of HK$1.7 million generated for the year ended 31 December 2008. There was no turnover generated from the market in Thailand from which the turnover for the year ended 31 December 2008 was HK$2.6 million.

Optoelectronics products division

There was no significant change in the division, both the sales of ferrules for the year ended 31 December 2009 and 2008 were amounted to HK$2.9 million. Cost of sales for the corresponding periods were HK$1.9 million and HK$3.7 million respectively.

Other income and gains

Other income and gains for the year ended 31 December 2009 amounted to HK$14.8 million, representing an increase of approximately 162.7% from that of HK$5.6 million generated from the year ended 31 December 2008. This was mainly due to the waive of short-term loans of HK$14.5 million.

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

Selling and distribution costs for the year ended 31 December 2009 amounted to HK$2.41 million. This represents an increase of HK$0.85 million from that recorded for the year ended 31 December 2008.

Total administration and operating expenses was HK$13.83 million for the year ended 31 December 2009 and HK$13.05 million for the year ended 31 December 2008. There were no significant change in administration and operating expenses.

Financial resources and liquidity

The Group's shareholders funds were reduced to HK$460,965 as at 31 December 2009 (2008: HK$716,449). Current assets amounted to HK$9.9 million as at 31 December 2009 (2008: HK$14.5 million), of which HK$0.78 million (2008: HK$1.88 million) was cash and bank balances.

As at 31 December 2009, the Group's total borrowings amounted to HK$10.2 million (2008: HK$11.8 million), of which HK$1.6 million (2008: HK$7.5 million) were short-term borrowings repayable within one year.

The Group's gearing ratios as at 31 December 2009 was 97.2% (2008: 96.3%). 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, convertible bonds 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 has 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"), Japanese Yen ("Yen"), Euro ("Euro"), New Taiwan dollars ("NTD") and Hong Kong dollars ("HKD"). Approximately 98% (2008: 93%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, and almost 99% (2008: 96%) of costs are denominated in currencies other than the units' functional currency.

During the years ended 31 December 2009, the exchange rate of USD and RMB were quite stable and the exchange rate of CHF, Yen, NTD and Euro were comparatively volatile. Approximately 78% (2008: 82%) of the Group's sales are denominated in these currencies.

As at 31 December 2009, 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

Details of the Group's contingent liabilities at the end of the reporting period are set out in note 35 to the financial statements.

Litigation

Save as disclosed in note 36 to the financial statements, neither the Company nor any of its subsidiaries was involved in any litigation at the end of the reporting period.

Capital structure

During the year, the Company issued bonus shares to the shareholders of the Company on the basis of 3 bonus shares for every 1 existing issued share held by the shareholders, in total 3,180,000,000 bonus shares was issued. During the year, all convertible bonds were converted into 761,000,000 ordinary shares.

Employees

As at 31 December 2009, the Group had 198 (2008: 210) 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 PRC and performance bonus. Total staff costs including directors' remuneration for 2009 were HK$5.6 million (2008: HK$7 million).

Material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2009.

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.

Change of company name

The change of the English name of the Company from "Fast Systems Technology (Holdings) Limited" to "Seamless Green China (Holdings) Limited" and the adoption of the new Chinese name "無縫綠色中國（集團）有限公司" as the Company's secondary name have become effective on 18 June 2009.

Business review

During the year, the principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals and optoelectronics products. However, in light of its poor performance in 2009, the Group decided to invest in the energy-efficient street-lamp markets in the PRC and took successful steps during the year.

The Company entered into a Joint Venture ("JV") Agreement with Nei Meng Gu Xin Rui Sheng Mao Co. Ltd（內蒙古鑫睿商貿有限公司）("Xin Rui") pursuant to which the parties thereto agreed to form a new JV Company, whose equity interest will be owned as to 80% by Xin Rui and as to 20% by the Company. The JV Company will engage in the 中國綠色道路照明 business, which involves the systematic promotion of selected energy-efficient street lamps, such as High-Frequency Electrode-Less Lamps, to municipalities throughout China, and also of the accelerated replacement of the over 40 million energy-wasting High-Pressure Sodium Street Lamps in China by the selected energy efficient alternatives. The JV Company is expected to sign "Energy-Efficient Street Lamp Replacement and/or Purchasing Agreements" with 12 municipalities, including cities in Hubei, Jiangxi, Sichuan, Shanghai, Anhui, Yunnan, Tibet, Liaoning, Qinghai, and Ningxia. In additions, the Company entered into the Project Cooperation Agreement with 成都市中錦城市道路照明工程有限公司 (Chengdu City Zhong Jin City Road Lighting Engineering Company Limited) ("Zhong Jin"). Pursuant to the Project Cooperation Agreement, the Company will cooperate with Zhong Jin for the purpose of carrying out energy-efficient city road lighting reform engineering projects in Chengdu City and the other cities in Sichuan Province.

Prospects

Since the China and global economies started to be recovering, the Board expects the sales from sapphire and optoelectronics distribution division may be benefited. Accordingly the Board expects there will be an increase in the production and sales of watches in 2010. The Board will continue to keep its effort on those watches markets that have less competition and controlling its labor and production costs.

During the year ended 31 December 2009, the Group has taken successful steps in investing in the energy-efficient product market, details are disclosed in the "Business Review" paragraph. The Board believes that this market will be the blue ocean in the world wide business, especially in the PRC. The Board believes that the investment can broaden the Group's experience in energy-efficient products and environmental protection markets.

The Group will continue its effort in developing its business in the energy-efficient streetlamp markets and has confident that this market will soon contribute cash inflows to the Group.

In October 2009, the Group was once facing an insufficient operating cash flow problem. Nevertheless, the Board endeavors to improve the group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors explored various solutions to enlarge the group's capital base, which include the proposal to issue new shares in order to provide additional equity funding to the Group.

Corporate governance

Adapting and adhering to recognized standards of corporate governance principles and practices have always been 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 complied throughout the period 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 2009.

Remuneration of directors

Remuneration committee, currently comprises four independent non-executive directors, namely Mr. Liu Chun Ning Wilfred, Mr. Tso Chip, Mr. Lee Tao Wai (appointed on 2 October 2009) and Mr. Tsui Siu Hung, has been established to make recommendation to the Board on the Company's policy and structure for all remuneration of Directors. Mr. Tsui Siu Hung is the Chairman of the remuneration committee. The remuneration and benefits for the executive directors amounted to approximately HK$1,291,000 in 2009.

For the year ended 31 December 2009, the Remuneration Committee held 2 meeting during which duties, roles and performance of the Executive Directors were reviewed. The Committee also made recommendation to the Board on the remuneration to the Directors.

The attendance records of individual Committee members at Remuneration Committee meeting held during the year are set out below:

Directors	Number of attendance
Tsui Siu Hung	2/2
Liu Chun Ning Wilfred	1/2
Kwai Sze Kit (appointed on 7 May 2009 and resigned on 2 July 2009)	0/0
Tso Chip (appointed on 2 July 2009)	0/1
Wong Kwok Wai (resigned on 5 January 2010)	2/2
Lee Tao Wai (appointed on 2 October 2009)	1/1

Board of directors

The Board of the Company (the "Board") currently comprises eleven Directors, of which seven are executive directors and four are independent non-executive directors. The Board collectively oversees the management and operation of the Group and will meet regularly during the year to discuss the operation strategy and financial performance of the Group.

During the year 2009 and there after up to the date hereof, the Directors are as follows:

Executive Directors

Chan Chung Keung Jackon *(Chairman)* (appointed on 1 July 2009)
Wong Kwok Wai (appointed on 5 January 2010)
Zhao Wen Tao (appointed on 1 July 2009)
Chung Ming Tru, Daniel (appointed on 3 November 2009)
Chan Yim Kum (appointed on 5 January 2010)
Wong Pak Fai Philip (appointed on 18 May 2009)
Gao Zhiwei (appointed on 14 August 2009)
Wong Hon Kit (appointed on 2 October 2009 and resigned on 3 November 2009)
Mak Kai Chun Kevin (appointed on 2 October 2009 and resigned on 1 February 2010)
Williamson Lam (appointed on 2 October 2009 and resigned on 1 February 2010)
Chen Jun Nong (appointed on 18 June 2009 and resigned on 26 January 2010)
Yu Man Wai Sandy (resigned on 29 September 2009)
Leung Ka Kueng Gary (resigned on 18 May 2009)

Independent Non-executive Directors

Tsui Siu Hung
Liu Chun Ning Wilfred
Tso Chip (appointed on 2 July 2009)
Lee Tao Wai (appointed on 2 October 2009)
Wong Kwok Wai (redesignated as Executive Director on 5 January 2010)
Kwai Sze Kit (appointed on 7 May 2009 and resigned on 2 July 2009)

Pursuant to clause 86(2) of the Current Bye-laws, Mr. Chan Chung Keung Jackon, Mr. Wong Pak Fai Philip, Mr. Zhao Wen Tao, Mr. Chung Ming Tru, Daniel, Mr. Gao Zhiwei, Ms. Chan Yim Kum, Mr. Tso Chip and Mr. Lee Tao Wai, who were appointed as Directors after the annual general meeting of the Company held on 6 May 2009, shall hold office until the 2010 AGM. Pursuant to clause 87 of the Current Bye-laws, Mr. Liu Chun Ning, Wilfred shall retire by rotation at the 2010 AGM. All of the above nine directors, being eligible, will offer themselves for re-election at the 2010 AGM.

The Company has received from each of the independent non-executive directors an annual confirmation of their independence pursuant to Rules 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive directors are independent.

The Board has four scheduled meetings at quarterly interval and meets as and when required. During the year ended 31 December 2009, the Board held 53 meetings.

The attendance of the Directors at the meetings held during the year ended 31 December 2009 is as follows:

Directors	Number of attendance
Chan Chung Keung Jackon *(Chairman)* (appointed on 1 July 2009)	16/21
Wong Kwok Wai	36/53
Zhao Wen Tao (appointed on 1 July 2009)	13/21
Chung Ming Tru, Daniel (appointed on 3 November 2009)	5/6
Chan Yim Kum (appointed on 5 January 2010)	0/0
Wong Pak Fai Philip (appointed on 18 May 2009)	6/31
Gao Zhiwei (appointed on 14 August 2009)	9/15
Wong Hon Kit (appointed on 2 October 2009 and resigned on 3 November 2009)	5/8
Mak Kai Chun Kevin (appointed on 2 October 2009 and resigned on 1 February 2010)	11/13
Williamson Lam (appointed on 2 October 2009 and resigned on 1 February 2010)	12/13
Chen Jun Nong (appointed on 18 June 2009 and resigned on 26 January 2010)	16/27
Yu Man Wai Sandy (resigned on 29 September 2009)	39/40
Leung Ka Kueng Gary (resigned on 18 May 2009)	10/17
Tsui Siu Hung	26/53
Liu Chun Ning Wilfred	14/53
Tso Chip (appointed on 2 July 2009)	2/21
Lee Tao Wai (appointed on 2 October 2009)	9/13
Kwai Sze Kit (appointed on 7 May 2009 and resigned on 2 July 2009)	1/16

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 four independent non-executive directors, namely Mr. Liu Chun Ning Wilfred, Mr. Tso Chip, Mr. Lee Tao Wai and Mr. Tsui Siu Hung, has been established to make recommendation to the Board on the Company's policy. Mr. Tsui Siu Hung is the Chairman of the audit committee.

The Company's financial statements for the year ended 31 December 2009 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 2009, the audit committee held three meetings and performed duties including reviewing the Group's annual report, half-yearly and quarterly reports.

The attendance of the Directors at the meetings is as follows:

Directors	Number of attendance
Tsui Siu Hung	3/3
Liu Chun Ning Wilfred	1/3
Kwai Sze Kit (appointed on 7 May 2009 and resigned on 2 July 2009)	0/0
Tso Chip (appointed on 2 July 2009)	0/1
Wong Kwok Wai (redesignated as Executive Director on 5 January 2010)	3/3
Lee Tao Wai (appointed on 2 October 2009)	0/0

Nominee Committee

The Company established a nominee committee with written terms of reference to review the structure, size and composition of the Board, identifying individuals suitable and qualified to become Board members and selecting or making recommendations to the Board on the election of, individuals nominated for directorship. The nominee committee comprises at least three members, the majority of whom shall be independent non-executive Directors. The current members of the nominee committee are Mr. Chan Chung Keung Jackon, Mr. Lee Tao Wai and Mr. Tsui Siu Hung.

Finance Committee

The Company established a finance committee with written terms of reference to review and approve banking facilities to be granted or issued by the Company, provision of corporate guarantees by the Company for its subsidiaries and opening of bank or securities related accounts. The finance committee comprises at least three members. The current members of the finance committee are Ms. Chan Yim Kum, Mr. Lee Tao Wai and Mr. Tsui Siu Hung.

Auditors' remuneration

During the year, the remuneration paid/payable to the auditors of the Company is as follows:

Auditors	Fee paid/payable HK$
PAN-CHINA (H.K.) CPA LIMITED (formerly practiced under the name of NCN CPA LIMITED)	
– Audit services	500,000
– Other services	90,000

Chairman and chief executive officer

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Report of the Directors. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Chan Chung Keung Jackon is the chairman of the Board and Mr. Wong Kwok Wai is the chief executive officer of the Company. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. The chief executive officer is responsible for the Group's business development and management.

Respective responsibilities of directors and auditors

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The Auditors are responsible to form an independent opinion based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the owners of the Company.

Internal controls

The Board has overall responsibilities for the Group's system of internal control and for reviewing its effectiveness.

The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objective.

During the year, the Board has conducted reviews on the effectiveness of the internal control system as required by the Code Provisions. The Audit Committee has also reviewed with members of the management the scope, progress and results of the internal control review plan and considered that the Group's internal control system is effective and adequate.

The Directors submit their report together with the audited financial statements for the year ended 31 December 2009.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 39 to the financial statements.

An analysis of the Group's segment information for the year under review is set out in note 7 to the financial statements.

Results

Details of the audited results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 24.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 27 and note 32 to the financial statements respectively.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Distributable reserves

As at 31 December 2009, no reserve was available for distribution to the owners of the Company (2008: Nil).

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2009 are set out in note 39 to the financial statements.

Pre-emptive rights

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

Group financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 86.

Directors

Executive Directors

Mr. Chan Chung Keung Jackon, aged 41, the chairman of the Company, holds a bachelor degree in Statistics from The Chinese University of Hong Kong and is a CFA chartered holder. He has been in the financial industry since graduation. Prior to joining the Company, Mr. Chan has been the Head of International Investments of The Bosera Asset Management.

Mr. Wong Kwok Wai, aged 36, the chief executive officer of the Company, holds a bachelor degree in science from Macquarie University of Australia. Mr. Wong has more than 10 years of experience in corporate administration aspect.

Mr. Zhao Wen Tao, aged 30, holds a master degree in international banking and finance of University of Salford, Manchester, the United Kingdom. Prior to joining the Company, Mr. Zhao has been the executive manager of Jiang Su Jin Property Insurance Co Limited.

Mr. Chung Ming Tru, Daniel, aged 51, has 27 years of experience in business development and investment in the financial market. Mr. Chung is currently an independent corporate financial advisor providing a wide range of advisory services on corporate financial matters and fund raising activities. Mr. Chung earned his bachelor degree in economics from Hong Kong Baptist University in 1981.

Ms. Chan Yim Kum, aged 45, the authorized representative and company secretary of the Company. Ms. Chan holds a Bachelor's Degree (Honours) in Business Administration from the United Kingdom and a Master's Degree in Professional Accountancy from Hong Kong. Ms. Chan is a member of The Taxation Institute of Hong Kong, The Institute of Chartered Secretaries and Administration of the United Kingdom and The Hong Kong Institute of Company Secretaries. Ms. Chan has over 18 years of experience in corporate management.

Mr. Wong Pak Fai Philip, aged 46, (whose grandfather is Mr. Wong Siu, a legendary emerald merchant in Hong Kong) has over 20 years of experience in international jewellery trading and retailing as well as real estate and greening development businesses in Mainland China. Mr. Wong is studying a doctor degree in economics & business administration of Pacific States University, USA.

Mr. Gao Zhiwei, aged 34, graduated from University of International Business and Economics in Beijing, China. Mr. Gao, a qualified PRC lawyer, is currently the chairman of Beijing Ju Rong Investment and Guarantee Co. Ltd., the general manager of China Rong Yi Da Resources Investment Co. Ltd. since December 2007, and the managing partner of Beijing Hawkhigh Law Firm since October 2006. Mr. Gao has acted as a partner of Beijing Dadu Law Firm and Beijing Bokang Law Firm.

Independent Non-executive Directors

Mr. Liu Chun Ning Wilfred, aged 48, holds a bachelor degree in Arts (Economics) from University of Newcastle Upon Type of the United Kingdom. He is an executive director of Chong Hing Bank Limited (stock code: 1111), an independent non-executive director of S.A.S. Dragon Holdings Limited (stock code: 1184) and Get Nice Holdings Limited (stock code: 64) and a non-executive director of Liu Chong Hing Investment Limited (stock code: 194), companies of which the issued shares are listed on the main board of the Stock Exchange of Hong Kong Limited.

Mr. Tsui Siu Hung, aged 33, has over 11 years of experience in finance, consulting, accounting and auditing. He is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of the Certified Public Accountants. Mr. Tsui holds a bachelor degree in business administration in accounting and he is a certified public accountant (practising) in Hong Kong.

Mr. Tso Chip, aged 51, famous columnist and media professional in Hong Kong with a nickname "Hong Kong Most Gifted Scholar". Mr. Tso comes from a respectable family of press and holds a bachelor degree from the United Kingdom.

Mr. Lee Tao Wai, aged 31, has over 9 years of experience in accounting and corporate field. Mr. Lee graduated from the Chinese University of Hong Kong with a Bachelor Degree in Business Administration in Accounting. He also holds a Master Degree in Investment Management from The Hong Kong University of Science and Technology. He is a member of The Hong Kong Institute of Certified Public Accountants.

Directors service contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Public float

From information publicly available to the Company and within the knowledge of the Directors, at least 20% of the Company's total issued share capital are held by the public at all times during the years.

Directors interests in contracts

No contracts of significance in relation to the Group's business to which the Company was a party and in which any of the Directors or members of its management had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

Connected transactions

During the year under review, the Group entered into certain connected transactions, which also constitute related party transactions and are set out in notes 26 and 33 to the financial statements.

Share options Scheme

On 21 July 2001, the Company adopted a share option scheme (the "Share Option Scheme"), the principal terms of which are set out in the section headed "Share Option Scheme" in appendix IV to the Company's prospectus dated 27 July 2001.

Since the number of share options granted by the Company in 18 June 2009 and 2 July 2009 have exceeded the maximum number of share options that can be granted as prescribed under the rules of the Share Option Scheme, all such share options purported to be granted were invalid and shall be deemed to have been cancelled. None of the aforesaid share options have been exercised by the relevant grantees.

Directors' and chief executive's interests in securities

As at 31 December 2009, the interests and short positions of the Directors and Chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations are as follows:–

Name of director	Capacity	No. of shares	Approximate percentage of total relevant class of shares in shares
Wong Pak Fai Philip	Beneficial owner	370,000	0.01%

As at 31 December 2009, save as disclosed above and the paragraph headed "Share Option Scheme" above, none of the directors and chief executive of the Company has any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Directors' right to acquire shares

Save as disclosed under the paragraph headed "Directors' and chief executive's interests in securities" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholder's interests in securities

As at 31 December 2009, so far as the Directors are aware the persons who have an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Name of shareholders	Capacity	Number of shares	Underlying Shares	Percentage of issued shares
Good Capital Resources Limited *(Note 1)*	Corporate	840,000,000	–	19.81%
Tang Man Lai *(Note 1)*	Beneficial owner	840,150	–	19.81%
JMM Business Network Investments (China) Limited	Corporate	440,000,000	–	10.38%
iReady360 Media Networks Limited *(Note 2)*	Corporate	760,140,000	–	17.92%
Ng Wai Lok, Raylot *(Note 2)*	Beneficial owner	760,140,000	–	17.92%
Evening Triumph Holdings Limited *(Note 3)*	Corporate	440,000,000	–	10.38%
Kwok Sze Nga *(Note 3)*	Beneficial owner	440,000,000	–	10.38%

Notes:

1. Good Capital Resources Limited, a company incorporated in the British Virgin Islands which is beneficially owned by Tang Man Lai.

2. Mr. Ng Wai Lok, Raylot is the controlling shareholder of iReady360 Media Networks Limited.

3. Miss Kwok Sze Nga is the controlling shareholder of Evening Triumph Holdings Limited

4. The number of shares has been adjusted as result of the consolidation of every ten issued and unissued existing shares into one consolidated share took place on 15 August 2008.

So far as is known to any director or supervisor, there is no person other than a Director or supervisor or chief executive who, as at 31 December 2009, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

Management Shareholders' Interests in Securities

Other than the interests disclosed above in respect of the substantial shareholders, the directors and chief executive of the Company and their associates (as defined in the GEM Listing Rules), as at 31 December 2009, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

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 2009.

Major customers and supplier

The percentage of sales for the year generated from the Group's major customers are is as follows:

– The largest customer	25.48%
– Five largest customers	73.94%

The percentage of purchases for the year attributable to the Group's major suppliers is as follows:

– The largest supplier	33.20%
– Five largest suppliers	50.53%

None of the directors, their associates or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers and suppliers for the year ended 31 December 2009.

Competing interests

During the year ended 31 December 2009, 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.

Compliance adviser

As updated and notified by the Company's compliance adviser, Partners Capital International Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 31 December 2009 and as at the date of this report.

Pursuant to an agreement dated 27 March 2009 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period starting on March 2009 and end on the date on which the Company publishes its financial results for the full financial year ending 31 December 2009 or until the agreement is terminated in accordance with the terms and conditions set out therein.

Continued suspension of trading

Suspension in the trading of the shares of the Company will continue, pending the release of price sensitive information in relation to, inter alia, the issue of insufficient operating cash flow for maintaining the normal operation of the Group's businesses as mentioned in the Company's announcement issued on 13 November 2009.

Dividend

The board does not recommend the payment of final dividend for the year 2009 (2008: Nil).

Auditors

The company's auditors, Pan-China (H.K.) CPA Limited (formerly practiced under the name of NCN CPA Limited), who retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Pan-China (H.K.) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Chan Chung Keung Jackon
Chairman

Hong Kong, 4 March 2010

TO THE SHAREHOLDERS OF
SEAMLESS GREEN CHINA (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability and re-domiciled to Bermuda on 22 January 2008)

We have audited the financial statements of Seamless Green China (Holdings) Limited set out on pages 24 to 85, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the financial statements regarding the going concern of the Group and the steps being taken by the directors to improve the position. As stated in note 3 to the financial statements, the Group had net current liabilities of HK$317,618 as at 31 December 2009. The Board of the Company endeavors to improve the Group's financial position and has taken measures to reduce overheads and costs. Furthermore, the Board of the Company has explored various solutions to enlarge the Group's capital base, which include the proposal to issue new shares in order to provide additional funding to the Group. In addition, lenders of long-term loans have agreed not to demand repayment of the amounts due until the Group is in a position to do so. The directors are in the opinion that future funding will be available and the lenders will continue their financial support to maintain the Group as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available and the continue financial support given by the lenders of long-term loans. The financial statements do not include any adjustments that would result from the failure by the Group to obtain such future funding or financial support. Should the Group be unable to continue in business as a going concern, adjustments would have to be made which may have a consequential adjustment effect on the financial position of the Group and the Company as at 31 December 2009 and the Group's results for the year then ended. We consider that the fundamental uncertainty has been properly disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants
Choi Man Chau, Michael
Practising Certificate Number P01188

20/F., Hong Kong Trade Centre,
161-167 Des Voeux Road,
Central, Hong Kong,
Hong Kong S.A.R., China

4 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 HK$	2008 HK$
Turnover	6(a)	**15,729,422**	31,036,364
Cost of sales		**(15,688,133)**	(27,893,686)
Gross profit		**41,289**	3,142,678
Other income and gains	6(b)	**14,818,253**	5,640,033
(Loss)/gain on trading marketable securities		**(1,456,576)**	545,199
Selling and distribution costs		**(2,410,370)**	(1,557,489)
Administrative and other operating expenses		**(13,833,535)**	(13,048,437)
Loss from operations		**(2,840,939)**	(5,278,016)
Finance costs	8	**(189,967)**	(959,328)
LOSS BEFORE TAXATION	9	**(3,030,906)**	(6,237,344)
Income tax expense	10	**(50,588)**	(1,046,588)
LOSS FOR THE YEAR		**(3,081,494)**	(7,283,932)
Other comprehensive income:			
Exchange difference on translation of the financial statements of foreign subsidiaries		**(1,592,944)**	488,278
Other comprehensive income for the year, net of tax		**(1,592,944)**	488,278
Total comprehensive income for the year		**(4,674,438)**	(6,795,654)
Loss attributable to owners of the Company	13	**(3,081,494)**	(7,283,932)
Total comprehensive income attributable to owners of the Company		**(4,674,438)**	(6,795,654)
Dividends	14	**NIL**	NIL
Loss per share attributable to the owners of the Company			
Basic	15	**(0.11 cents)**	(2.44 cents)
Diluted	15	**N/A**	N/A

All of the Company's operations are classed as continuing.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	16	**8,771,891**	8,143,287
Assets under construction	17	**–**	–
Prepaid land lease payments	18	**541,864**	557,428
		9,313,755	8,700,715
Current assets			
Marketable securities	20	**–**	2,514,000
Inventories	21	**6,902,977**	4,788,478
Trade and other receivables	22	**2,250,947**	5,306,550
Cash and bank balances	23	**781,813**	1,884,956
		9,935,737	14,493,984
Current liabilities			
Trade and other payables	24	**6,506,149**	8,567,500
Tax payable		**2,086,729**	2,111,275
Amount due to a director	27	**50,000**	–
Short-term loans	25	**1,610,477**	7,532,414
		10,253,355	18,211,189
Net current liabilities		**(317,618)**	(3,717,205)
Total assets less current liabilities		**8,996,137**	4,983,510
Non-current liabilities			
Long-term loans	28	**(8,535,172)**	–
Convertible bonds	26	**–**	(4,267,061)
		(8,535,172)	(4,267,061)
NET ASSETS		**460,965**	716,449
CAPITAL AND RESERVES			
Share capital	30	**4,240,000**	299,000
Reserves	32	**(3,779,035)**	417,449
TOTAL EQUITY		**460,965**	716,449

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

The financial statements were approved by the Board of Directors on 4 March 2010 and signed on behalf of the Board by:

Chan Chung Keung Jackon
Director

Wong Kwok Wai
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	*16*	**123,643**	174,202
Interests in subsidiaries	*19*	**66,008**	3,266,000
		189,651	3,440,202
Current assets			
Marketable securities	*20*	**–**	2,514,000
Trade and other receivables	*22*	**18,454**	518,771
Cash and bank balances	*23*	**218,201**	582,412
		236,655	3,615,183
Current liabilities			
Trade and other payables	*24*	**1,608,224**	2,100,978
Net current (liabilities)/assets		**(1,371,569)**	1,514,205
Total assets less current liabilities		**(1,181,918)**	4,954,407
Non-current liabilities			
Long-term loans	*28*	**(8,130,872)**	–
Convertible bonds	*26*	**–**	(4,267,061)
		(8,130,872)	(4,267,061)
NET (LIABILITIES)/ASSETS		**(9,312,790)**	687,346
CAPITAL AND RESERVES			
Share capital	*30*	**4,240,000**	299,000
Reserves	*32*	**(13,552,790)**	388,346
TOTAL (DEFICIT)/EQUITY		**(9,312,790)**	687,346

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

The financial statements were approved by the Board of Directors on 4 March 2010 and signed on behalf of the Board by:

Chan Chung Keung Jackon
Director

Wong Kwok Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital HK$	Share premium reserve HK$	Exchange reserve HK$	Contributed surplus HK$	Convertible bonds reserve HK$	Accumulated losses HK$	Total HK$
As at 1 January 2008	60,000,000	1,796,747	2,609,303	14,607,973	–	(77,450,830)	1,563,193
Loss for the year	–	–	–	–	–	(7,283,932)	(7,283,932)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	488,278	–	–	–	488,278
Total comprehensive income for the year	–	–	488,278	–	–	(7,283,932)	(6,795,654)
Reduction of share capital	(59,940,000)	–	–	59,940,000	–	–	–
Issue of shares	239,000	2,151,000	–	–	–	–	2,390,000
Issue of convertible bonds	–	–	–	–	3,558,910	–	3,558,910
Transfer	–	–	–	(74,547,973)	–	74,547,973	–
As at 31 December 2008 and at 1 January 2009	299,000	3,947,747	3,097,581	–	3,558,910	(10,186,789)	716,449
Loss for the year	–	–	–	–	–	(3,081,494)	(3,081,494)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	(1,592,944)	–	–	–	(1,592,944)
Total comprehensive income for the year	–	–	(1,592,944)	–	–	(3,081,494)	(4,674,438)
Conversion of convertible bonds	761,000	7,216,864	–	–	(3,558,910)	–	4,418,954
Bonus issues	3,180,000	(3,180,000)	–	–	–	–	–
As at 31 December 2009	4,240,000	7,984,611	1,504,637	–	–	(13,268,283)	460,965

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$	2008 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax expense	**(3,030,906)**	(6,237,344)
Adjustments for:		
Depreciation of property, plant and equipment	**3,092,689**	3,915,538
Impairment of property, plant and equipment	**1,680,000**	–
Amortisation of prepaid land lease payments	**15,485**	15,349
Loss on disposal of property, plant and equipment	**124,965**	–
Impairment on inventories	**203,280**	942,772
Reversal of impairment on inventories	**(4,639,243)**	–
Write-back of other payables and accruals	**(54,432)**	(1,207,829)
Amount waived by a shareholder	**–**	(3,957,705)
Short-terms loans waived	**(14,494,295)**	–
Finance costs	**189,967**	959,328
Interest income	**(2,123)**	(158,271)
Gain on fair value change on marketable securities	**–**	(105,247)
Operating loss before changes in working capital	**(16,914,613)**	(5,833,409)
Decrease/(increase) in marketable securities	**2,514,000**	(2,408,753)
Decrease/(increase) in inventories	**2,321,464**	(2,909,172)
Decrease/(increase) in trade and other receivables	**3,055,603**	(86,320)
(Decrease)/increase in trade and other payables	**(2,014,476)**	1,719,832
Increase in amount due to a director	**50,000**	–
	(10,988,022)	(9,517,822)
Interest paid	**(38,074)**	(743,357)
Hong Kong profits tax refunded	**–**	60,651
Overseas taxes paid	**(67,572)**	(86,566)
NET CASH USED IN OPERATING ACTIVITIES	**(11,093,668)**	(10,287,094)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**2,123**	158,271
Payments to acquire property, plant and equipment	**(5,489,834)**	(299,131)
Payments to acquire assets under construction	**(39,233)**	(2,254)
Release of pledged deposit	**–**	3,704,400
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(5,526,944)**	3,561,286

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$	2008 HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of ordinary shares	–	2,390,000
Issue of convertible bonds	–	7,610,000
Short-term loan obtained	8,572,358	3,216,057
Repayment of bank loans	–	(10,174,081)
Long-term loans obtained	8,535,172	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	17,107,530	3,041,976
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	486,918	(3,683,832)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,884,956	5,162,188
EFFECT OF FOREIGN EXCHANGES, NET	(1,590,061)	406,600
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	781,813	1,884,956
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	781,813	1,884,956

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 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 has been suspended since 29 October 2009. Details of suspension of trading the company's shares are set out in the announcement dated 29 October 2009.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The group's principal activities have not changed during the year and were involved in manufacture and sale of synthetic sapphire watch crystals and optoelectronic products.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRS (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRS (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

(a) HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

(b) HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments *(see note 7)* and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

(c) Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

The Group and the Company have not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[(1)]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[(2)]
HKAS 24 (Revised)	Related Party Disclosures[(5)]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[(1)]
HKAS 32 (Amendments)	Classification of Rights Issues[(4)]
HKAS 39 (Amendments)	Eligible Hedged Items[(1)]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[(3)]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[(3)]
HKFRS 3 (Revised)	Business Combinations[(1)]
HKFRS 9	Financial Instruments[(7)]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[(6)]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[(1)]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity[(6)]

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

(c) Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures) *(continued)*

(1) *Effective for annual periods beginning on or after 1 July 2009.*

(2) *Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.*

(3) *Effective for annual periods beginning on or after 1 January 2010.*

(4) *Effective for annual periods beginning on or after 1 February 2010.*

(5) *Effective for annual periods beginning on or after 1 January 2011.*

(6) *Effective for annual periods beginning on or after 1 July 2010.*

(7) *Effective for annual periods beginning on or after 1 January 2013.*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the leasehold land.

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 leasehold buildings and convertible bonds, which have been measured at revalued amount or fair value.

Going concern

The financial statements have been prepared on the basis that the Group will continue to operate as a going concern despite the fact that the Group had net current liabilities of HK$317,618 as at 31 December 2009. The Board of the Company endeavors to improve the Group's financial position and has taken measures to reduce overheads and costs. Furthermore, the Board of the Company has explored various solutions to enlarge the Group's capital base, which include the proposal to issue new shares in order to provide additional funding to the Group. In addition, lenders of long-term loans have agreed not to demand repayment of the amounts due until the Group is in a position to do so. The directors are in the opinion that future funding will be available and the lenders will continue their financial support to maintain the Group as a going concern.

4. Significant accounting policies

(a) Basis of Consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. Significant accounting policies *(continued)*

(b) Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising form an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the ended of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

4. Significant accounting policies *(continued)*

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for goods sold in the course of the ordinary activities, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments excluding financial assets at fair value through profit or loss is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(e) Property, plant and equipment and depreciation

Property, plant and equipment, other than buildings and assets under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use.

4. Significant accounting policies *(continued)*

(e) Property, plant and equipment and depreciation *(continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is recognised as an additional cost of that asset or as a replacement.

Buildings are stated in the statement of financial position at their valuated amount. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve recognised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	Over the shorter of lease terms or 20 years
Leasehold improvements	25%
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement is recognised in the profit and loss as the difference between the net sales proceeds and the carrying amount of the relevant asset.

4. Significant accounting policies *(continued)*

(f) Assets under construction

Assets under construction represent a factory building under construction and plant, machinery and equipment pending installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Asset under construction is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(g) Prepared land lease payments

All land in the People's Republic of China is stated-owned or collectively-owned and no individual land ownership rights exist. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepaid land lease payments under operating leases and are stated at cost and subsequently amortised on the straight line basis over the period of the rights.

(h) Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount under Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

4. Significant accounting policies *(continued)*

(i) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss recognized immediately in profit or loss.

i) Financial assets

The financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss (FVTPL) and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than financial assets classified as at FVTPL, of which interest income is included in net gains and losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

i) Financial assets (continued)

Financial assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from directors) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could included the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

i) Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

ii) Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

ii) *Financial liabilities and equity* *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which interest expense is included in net gains and losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

ii) ***Financial liabilities and equity*** *(continued)*

Financial liabilities at FVTPL (continued)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

At the end of the reporting period, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option classified as equity will remain in the convertible bonds reserve until the conversion option is exercised, in which case, the balance stated in the convertible bonds reserve will be transferred to share premium. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible bonds reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

ii) ***Financial liabilities and equity*** *(continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

iii) ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Significant accounting policies *(continued)*

(j) Related parties

A party is considered to be related to the Group if:

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly controlled entity;

(iv) The party is a member of the key management personnel of the Group or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v); or

(vii) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. Significant accounting policies *(continued)*

(k) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(m) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. Significant accounting policies *(continued)*

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of compressive income.

(p) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. Significant accounting policies *(continued)*

(p) Taxation *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the and of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4. Significant accounting policies *(continued)*

(q) Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

4. Significant accounting policies *(continued)*

(q) Employee benefits *(continued)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(r) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are recognized in profit and loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit and loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. Significant accounting policies *(continued)*

(r) Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company, i.e. Hong Kong dollars, at the exchange rates ruling at the end of the reporting period, and their profit and loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit and loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(s) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical and commercial feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over its estimated useful lives to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of he regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. Significant accounting judgements and estimates

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate 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.

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in HKAS 18 and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, management is satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs.

(ii) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

5. Significant accounting judgements and estimates *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

(a) Critical judgements in applying accounting policies *(continued)*

(iii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to profit and loss.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Income taxes

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

5. Significant accounting judgements and estimates *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

(b) Key sources of estimation uncertainty *(continued)*

(iii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year when the estimate is changed and the future period.

6. Turnover, other income and gains

(a) Turnover

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

	2009	2008
	HK$	HK$
Sale of goods	**15,729,422**	31,036,364

The Group's turnover represents the net invoiced value of goods sold, after allowances for returns, trade 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:

	2009	2008
	HK$	HK$
Write-back of other payables and accruals	**54,432**	1,207,829
Amount waived by a shareholder	**–**	3,957,705
Short-term loans waived	**14,494,295**	–
Bank interest income	**2,123**	158,271
Net exchange gains	**66,580**	–
Rental income	**15,931**	–
Gain on change in fair value of marketable securities	**–**	105,247
Others	**184,892**	210,981
	14,818,253	5,640,033

7. Segment information

Segment information reported to the chief operating decision maker, directors of the Company, is the type of goods delivered by the Group's operating division for the purposes of resource allocation and performance assessment. 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; and

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

For the purposes of assessing segment performance and resources between segments, the group's senior executive management 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 (2008: nil).

Segment result represents the profit earned by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, loss on disposal of property, plant and equipment, gain/loss on trading of marketable securities, impairment of property, plant and equipment, short-term loans waived and finance costs.

Segment assets include all tangible, intangible assets and current assets.

Segment liabilities include all trade and other payables other than tax payable.

7. Segment information *(continued)*

(a) Segment revenues and results

For the year ended 31 December 2009	Sapphire HK$	Optoelectronic HK$	Total for reportable segments HK$
Segment revenue	**12,825,184**	**2,904,238**	**15,729,422**
Segment result	**(6,189,537)**	**328,315**	**(5,861,222)**
Reconciliation:			
Total loss for reportable segments			**(5,861,222)**
Unallocated corporate income			**14,605,415**
Interest income			**2,123**
Unallocated corporate expenses			**(8,325,714)**
Loss on trading of marketable securities			**(1,456,576)**
Loss on disposal of property, plant and equipment			**(124,965)**
Impairment of property, plant and equipment			**(1,680,000)**
Finance costs			**(189,967)**
Consolidated loss before taxation			**(3,030,906)**

For the year ended 31 December 2008	Sapphire HK$	Optoelectronic HK$	Total for reportable segments HK$
Segment revenue	28,111,160	2,925,204	31,036,364
Segment result	(6,317,720)	(1,748,805)	(8,066,525)
Reconciliation:			
Total loss for reportable segments			(8,066,525)
Unallocated corporate income			5,376,515
Interest income			158,271
Gain on trading of marketable securities			545,199
Gain on change in fair value of marketable securities			105,247
Unallocated corporate expenses			(3,396,723)
Finance costs			(959,328)
Consolidated loss before taxation			(6,237,344)

7. Segment information *(continued)*

(b) Segment assets and liabilities

As at 31 December 2009	**Sapphire HK$**	**Optoelectronic HK$**	**Total for reportable segments HK$**
Segment assets	**12,580,272**	**7,902,816**	**20,483,088**
Elimination of inter-segment receivables			**(1,598,270)**
Unallocated assets			**364,674**
Consolidated assets			**19,249,492**
Segment liabilities	**(7,026,890)**	**(778,985)**	**(7,805,875)**
Elimination of inter-segment payables			**1,598,270**
Unallocated liabilities			**(12,580,922)**
Consolidated liabilities			**(18,788,527)**

As at 31 December 2008	Sapphire HK$	Optoelectronic HK$	Total for reportable segments HK$
Segment assets	17,376,769	2,028,437	19,405,206
Unallocated assets			3,789,493
Consolidated assets			23,194,699
Segment liabilities	15,208,500	571,992	15,780,492
Unallocated liabilities			6,697,758
Consolidated liabilities			22,478,250

7. Segment information *(continued)*

(c) Other segment information

For the year ended 31 December 2009	**Sapphire HK$**	**Optoelectronic HK$**	**Unallocated HK$**	**Total HK$**
Capital expenditure	**1,040,000**	**2,687,976**	**1,801,091**	**5,529,067**
Depreciation and amortisation	**264,608**	**2,781,395**	**46,686**	**3,092,689**

For the year ended 31 December 2008	Sapphire HK$	Optoelectronic HK$	Unallocated HK$	Total HK$
Capital expenditure	69,115	–	232,270	301,385
Depreciation and amortisation	3,508,987	363,832	42,719	3,915,538

(d) Geographical Information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by geographical location are detailed below:

	2009 HK$	2008 HK$
PRC	**2,891,758**	2,925,204
Hong Kong	**4,049,785**	1,724,080
Taiwan	**1,479,072**	3,681,620
Thailand	**–**	2,626,892
Europe	**7,308,807**	20,078,568
	15,729,422	31,036,364

Non-current assets are mainly located in PRC.

7. Segment information *(continued)*

(e) Information about major customers

The Group's customer base is diversified and includes only three customers (2008: two) with whom transactions have exceeded 10% of the group's revenues. In 2009 revenue from sales of synthetic sapphire watch crystals to these customers amounted to approximately HK$9,593,000 (2008: HK$14,503,000) and arose in Hong Kong and Europe regions in which the synthetic sapphire watch crystals division is active. Details of concentration of credit risk arising from these customers are set out in note 37.

8. Finance costs

	2009	2008
	HK$	HK$
Interest on:		
Bank loans wholly repayable within five years	**–**	719,341
Convertible bonds	**151,892**	215,971
Other	**38,075**	24,016
	189,967	959,328

9. Loss before taxation

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

	2009	2008
	HK$	HK$
Amortisation of prepaid land lease payments	**15,485**	15,349
Depreciation of property, plant and equipment	**3,092,689**	3,915,538
Impairment of property, plant and equipment	**1,680,000**	–
Loss on disposal of property, plant and equipment	**124,965**	–
Net exchange losses	**–**	331,938
Minimum lease payment under operating leases		
– Land and buildings	**1,819,504**	265,703
Auditors' remuneration		
– Audit services	**500,000**	430,000
– Other services	**90,000**	–
Staff costs (including directors' remuneration *(note 11)*):#		
Wages and salaries	**5,535,509**	6,926,712
Retirement scheme contributions	**61,431**	61,774

Of the total staff costs, HK$817,229 (2008: HK$1,083,540) was attributed to research and development activities of the Group.

10. Income tax expense

(a) Taxation in the consolidated statement of comprehensive income represents:

	2009	2008
	HK$	HK$
Current tax – Hong Kong Profits Tax		
Charge for the year	**–**	961,492
Over-provision in previous years	**–**	(7,825)
	–	953,667
Current tax – PRC Enterprise Income Tax		
Charge for the year	**76,013**	92,921
Tax rebate	**(25,425)**	–
	50,588	92,921
	50,588	1,046,588
Deferred tax *(Note 29)*	**–**	–
Tax charge	**50,588**	1,046,588

Hong Kong profits tax has not been provided as the entities of the Group operated in Hong Kong has no assessable profits during the year. Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong in the year 2008.

PRC subsidiaries are subject to PRC Enterprise Tax at the rate of 25% (2008: 25%).

10. Income tax expense *(continued)*

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

	2009		2008	
	HK$	**%**	HK$	%
Loss before taxation	**(3,030,906)**		(6,237,344)	
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(659,091)**	**22**	(1,062,262)	17
Tax effect of non-taxable income	**(3,559,813)**	**117**	(1,556,864)	25
Tax effect of non-deductible expenses	**821,769**	**(27)**	1,079,399	(17)
Tax effect of temporary difference not recognised	**(410,586)**	**13**	–	–
Over-provision in prior years	**–**	**–**	(7,825)	–
Tax losses utilised from previous periods	**–**	**–**	(18,610)	–
Tax benefit not recognised	**3,883,734**	**(128)**	2,612,750	(42)
Tax rebate	**(25,425)**	**1**	–	–
Tax expense	**50,588**	**(2)**	1,046,588	(17)

11. Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2009 HK$	2008 HK$
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	1,462,065	1,178,032
Pension scheme contributions	3,000	6,000
	1,465,065	1,184,032
	1,465,065	1,184,032

	Appointed on	Resigned on	Salaries, allowances and benefits in kind HK$	Performance related bonus HK$	Employee share option benefits HK$	Pension scheme contributions HK$	2009 Total remuneration HK$
Executive directors:							
Mr. Leung Ka Kueng, Gary	–	18 May 2009	175,000	–	–	–	175,000
Ms. Yu Man Wai, Sandy	–	29 September 2009	360,000	–	–	–	360,000
Mr. Wong Pak Fai, Philip	18 May 2009	–	–	–	–	–	–
Mr. Chen Jun Nong	18 June 2009	26 January 2010	240,000	–	–	3,000	243,000
Mr. Zhao Wen Tao	1 July 2009	–	15,000	–	–	–	15,000
Mr. Chan Chung Keung, Jackon	1 July 2009	–	330,000	–	–	–	330,000
Mr. Gao Zhi Wei	14 August 2009	–	–	–	–	–	–
Mr. Wong Hon Kit	2 October 2009	3 November 2009	–	–	–	–	–
Mr. Mak Kai Chun, Kevin	2 October 2009	1 February 2010	–	–	–	–	–
Mr. Williamson Lam	2 October 2009	1 February 2010	–	–	–	–	–
Mr. Chung Ming Tru, Daniel	3 November 2009	–	40,000	–	–	–	40,000
Mr. Wong Kwok Wai	–	–	128,000	–	–	–	128,000
Independent non-executive directors:							
Mr. Liu Chun Ning, Wilfred	–	–	60,000	–	–	–	60,000
Mr. Tsui Siu Hung	–	–	96,000	–	–	–	96,000
Mr. Kwai Sze Kit	7 May 2009	2 July 2009	18,065	–	–	–	18,065
Mr. Tso Chip	2 July 2009	–	–	–	–	–	–
Mr. Lee Tao Wai	2 October 2009	–	–	–	–	–	–
			1,462,065	–	–	3,000	1,465,065

11. Directors' remuneration *(continued)*

	Appointed on	Resigned on	Salaries, allowances and benefits in kind HK$	Performance related bonus HK$	Employee share option benefits HK$	Pension scheme contributions HK$	2008 Total remuneration HK$
Executive directors:							
Mr. Liao Lien Shen	–	19 August 2008	174,400	–	–	–	174,400
Mr. Liao Ko Ping	–	19 August 2008	224,866	–	–	6,000	230,866
Mr. Ng Ming Wah	25 February 2008	2 October 2008	144,147	–	–	–	144,147
Mr. Fong Chi Ho	25 February 2008	25 September 2008	69,429	–	–	–	69,429
Ms. Ou Kuei Mei	19 August 2008	2 October 2008	–	–	–	–	–
Mr. Leung Ka Kueng, Gary	2 October 2008	–	105,000	–	–	–	105,000
Ms. Yu Man Wai, Sandy	2 October 2008	–	134,384	–	–	–	134,384
Independent non-executive directors:							
Ms. Yeung Mo Sheung, Ann	–	2 October 2008	100,645	–	–	–	100,645
Mr. Ha Tak Kong	–	2 October 2008	100,645	–	–	–	100,645
Mr. Lau Siu Hung, Ricky	–	2 October 2008	80,516	–	–	–	80,516
Mr. Ip Ka Yiu	2 October 2008	1 December 2008	20,000	–	–	–	20,000
Mr. Liu Chun Ning, Wilfred	2 October 2008	–	–	–	–	–	–
Mr. Wong Kwok Wai	2 October 2008	–	24,000	–	–	–	24,000
Mr. Tsui Siu Hung	1 December 2008	–	–	–	–	–	–
			1,178,032	–	–	6,000	1,184,032

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2008: Nil).

12. Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2008: five) are directors whose emoluments are disclosed in note 11 above. The aggregate of the emoluments in respect of the other one (2008: Nil) is as follows:

	2009	2008
	HK$	HK$
Salaries and other emoluments	**400,000**	–
Share-based payments	**–**	–
Pension scheme contributions	**12,000**	–
	412,000	–

The emolument of the other one (2008: Nil) with the highest emolument is within the following band:

	2009	2008
	HK$	HK$
Nil to HK$1,000,000	**1**	–

13. Loss attributable to owners of the Company

	2009	2008
	HK$	HK$
Amount of consolidated loss attributable to owners of the Company dealt with in the Company's financial statements	**(8,266,291)**	(2,826,537)
Impairment losses on amounts due from subsidiaries	**(6,152,799)**	(1,796,264)
Company's loss for the year *(Note 32)*	**(14,419,090)**	(4,622,801)

The consolidated loss attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$8,266,291 (2008: HK$2,826,537) which has been dealt with in the financial statements of the Company.

14. Dividends

The directors do not recommend the payment of any dividends for the year ended 31 December 2009 (2008: Nil).

15. Loss per share

The basic loss per share is calculated based on the loss attributable to owners of the Company of HK$3,081,494 (2008: HK$7,283,932) and the weighted average number of 2,847,454,795 (2008: 299,000,000) ordinary shares in issue during the year.

A diluted loss per share for the years ended 31 December 2009 and 31 December 2008 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options and convertible bonds would decrease the loss per share of the Group for the year and is regarded as anti-dilutive.

16. Property, plant and equipment

The Group:

	Buildings HK$	Leasehold improvements HK$	Plant and machinery HK$	Furniture, fixture and equipment HK$	Motor vehicles HK$	Total HK$
At cost or valuation:						
Balance at 1 January 2008	4,500,000	173,665	84,032,989	3,260,126	663,186	92,629,966
Additions	–	166,620	45,437	87,074	–	299,131
Transfer from assets under construction	–	–	2,254	–	–	2,254
Exchange realignment	–	15,423	11,289,607	410,637	66,147	11,781,814
Balance at 31 December 2008 and at 1 January 2009	4,500,000	355,708	95,370,287	3,757,837	729,333	104,713,165
Additions	–	1,855,970	3,522,860	111,004	–	5,489,834
Disposals	–	(179,641)	–	–	–	(179,641)
Transfer from assets under construction	–	–	39,233	–	–	39,233
Exchange realignment	–	(13)	(10,811)	(397)	(83)	(11,304)
Balance at 31 December 2009	4,500,000	2,032,024	98,921,569	3,868,444	729,250	110,051,287
Accumulated depreciation and impairment:						
Balance at 1 January 2008	450,000	57,251	76,796,728	3,196,804	449,259	80,950,042
Charge for the year	225,000	162,889	3,355,110	66,788	105,751	3,915,538
Exchange realignment	–	10,603	11,260,992	408,384	24,319	11,704,298
Balance at 31 December 2008 and at 1 January 2009	675,000	230,743	91,412,830	3,671,976	579,329	96,569,878
Charge for the year	225,000	43,955	2,687,164	61,649	74,921	3,092,689
Impairment	–	1,680,000	–	–	–	1,680,000
Written back	–	(54,676)	–	–	–	(54,676)
Exchange realignment	–	24	(8,174)	(351)	6	(8,495)
Balance at 31 December 2009	900,000	1,900,046	94,091,820	3,733,274	654,256	101,279,396
Net carrying amount:						
As at 31 December 2009	3,600,000	131,978	4,829,749	135,170	74,994	8,771,891
As at 31 December 2008	3,825,000	124,965	3,957,457	85,861	150,004	8,143,287
Analysis of cost or valuation:						
At 31 December 2009						
At cost	–	2,032,024	98,921,569	3,868,444	729,250	105,551,287
At valuation	4,500,000	–	–	–	–	4,500,000
	4,500,000	2,032,024	98,921,569	3,868,444	729,250	110,051,287
At 31 December 2008						
At cost	–	355,708	95,370,287	3,757,837	729,333	100,213,165
At valuation	4,500,000	–	–	–	–	4,500,000
	4,500,000	355,708	95,370,287	3,757,837	729,333	104,713,165

16. Property, plant and equipment *(continued)*

The Group's buildings are located in the PRC under medium lease terms.

The Group's buildings were stated at HK$4,500,000 based on a valuation carried out by an independent firm of professional valuer, Malcolm & Associates Appraisal Limited, at 31 December 2005 on the depreciated replacement cost approach basis.

The carrying amount of the Group's buildings would have been HK$3,717,555 (2008: HK$3,949,515) had they been stated at cost less accumulated depreciation.

Due to the default of payment of rent arising from the lease of a property by a subsidiary during the year, expenses of leasehold improvements incurred for this property during the year were recognized as impairment loss.

The Company:

	Leasehold Improvements	Furniture, fixture and equipment	Total
	HK$	HK$	HK$
At cost or valuation:			
Balance at 1 January 2008	–	–	–
Additions	166,620	65,650	232,270
Balance at 31 December 2008 and at 1 January 2009	166,620	65,650	232,270
Additions	19,230	101,861	121,091
Disposals	(166,620)	–	(166,620)
Balance at 31 December 2009	19,230	167,511	186,741
Accumulated depreciation and impairment:			
Balance at 1 January 2008	–	–	–
Charge for the year	41,655	16,413	58,068
Balance at 31 December 2008 and at 1 January 2009	41,655	16,413	58,068
Charge for the year	4,808	41,877	46,685
Written back on disposal	(41,655)	–	(41,655)
Balance at 31 December 2009	4,808	58,290	63,098
Net carrying amount:			
As at 31 December 2009	14,422	109,221	123,643
As at 31 December 2008	124,965	49,237	174,202

17. Assets under construction

	Plant and Machinery HK$
Cost:	
At 1 January 2008	–
Additions	2,254
Transfers to Property, plant and equipment *(Note 16)*	(2,254)
At 31 December 2008 and at 1 January 2009	–
Additions	39,233
Transfers to Property, plant and equipment *(Note 16)*	(39,233)
At 31 December 2009	–

18. Prepaid land lease payments

The Group's prepaid lease payments represented its interest in land use rights and their net carrying value is analysed as follows:

	2009 **HK$**	2008 HK$
Carrying amount at 1 January	**557,428**	544,721
Amortisation during the year	**(15,485)**	(15,349)
Exchange realignment	**(79)**	28,056
Carrying amount at 31 December	**541,864**	557,428

The Group's land use rights are related to a piece of land situated in the PRC and are held under medium term leases that are to be expired on 14 October 2043.

19. Interests in subsidiaries

	COMPANY	
	2009	2008
	HK$	HK$
Unlisted shares, at cost	**25,000,008**	25,000,000
Amount due from subsidiaries	**59,539,744**	56,586,945
	84,539,752	81,586,945
Impairment	**(84,473,744)**	(78,320,945)
	66,008	3,266,000

The amount due from subsidiaries is unsecured, interest-free and has no fixed terms of repayment.

Particulars of principal subsidiaries are set out in note 39 to the financial statements.

20. Marketable securities

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Marketable securities:				
– Equity securities listed in Hong Kong				
– at fair value	**–**	2,514,000	**–**	2,514,000

21. Inventories

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Raw Materials	**112,823**	640,809	**–**	–
Work in progress	**2,927,840**	783,860	**–**	–
Finished goods	**3,862,314**	3,363,809	**–**	–
	6,902,977	4,788,478	**–**	–

All of the inventories are expected to be recovered within one year.

22. Trade and other receivables

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Trade receivables	**2,986,794**	5,131,518	**–**	–
Impairment	**(922,226)**	(922,226)	**–**	–
	2,064,568	4,209,292	**–**	–
Other receivables	**106,208**	870,678	**7,904**	362,430
Deposits and prepayments	**80,171**	226,580	**10,550**	156,341
	2,250,947	5,306,550	**18,454**	518,771

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Overdue balances are review regularly by senior management. In view of the aforementioned and the fact that the Group's trading receivables related to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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

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

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Current	**934,784**	2,513,298	**–**	–
31 – 60 Days	**340,991**	185,789	**–**	–
61 – 90 Days	**215,681**	663,713	**–**	–
Over 90 Days	**573,112**	846,492	**–**	–
	2,064,568	4,209,292	**–**	–

22. Trade and other receivables *(continued)*

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

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Neither past due nor impaired	**1,002,194**	1,973,900	**–**	–
Less than 1 month past due	**142,552**	990,075	**–**	–
1 to 3 months (or other appropriate time bands) past due	**862,677**	809,566	**–**	–
Over 90 Days	**57,145**	435,751	**–**	–
	2,064,568	4,209,292	**–**	–

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. The Group does not hold any collateral or other credit enhancements over these balances.

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.

23. Cash and cash equivalents

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**781,813**	1,830,067	**218,201**	582,412
Time deposits	**–**	54,889	**–**	–
	781,813	1,884,956	**218,201**	582,412

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$214,975 (2008: HK$500,118). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulation and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. Trade and other payables

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

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Trade payables	**2,606,062**	4,899,509	**–**	–
Other payables and accrued charges	**3,900,087**	3,667,991	**1,608,224**	2,100,978
	6,506,149	8,567,500	**1,608,224**	2,100,978

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Current	**194,907**	404,977	**–**	–
31 – 60 Days	**41,225**	660,224	**–**	–
61 – 90 Days	**27,941**	2,798,940	**–**	–
Over 90 Days	**2,341,989**	1,035,368	**–**	–
	2,606,062	4,899,509	**–**	–

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

25. Short-term loans

Short-term loans are unsecured, interest free and are repayable on or before 31 December 2010.

26. Convertible Bonds

The Convertible Bonds were issued on 18 August 2008 to Good Capital Resources Limited, Charmway Global Invest Limited and Wealth China & HK Growth Fund (the "Bondholders") at a nominal value of HK$4,100,000, HK$2,700,000 and HK$810,000 respectively for a term of 60 months.

The Convertible Bonds bear no interest for the period from (and including) the issue date to (but excluding) the date falling two years from the issue date. Thereafter, the Convertible Bonds will carry interest at a rate of 2% per annum, payable in arrears quarterly on 31 March, 30 June, 30 September and 31 December in each year.

In last year, the fair value of the liability component of the Convertible Bonds was measured using a market interest rate of approximately 15.08% for an equivalent non-convertible bond; the remaining balance represented the equity conversion component, was included in shareholders' equity under convertible bonds reserve.

	GROUP 2008 HK$	COMPANY 2008 HK$
Proceeds of issue	7,610,000	7,610,000
Equity component	(3,558,910)	(3,558,910)
Liability component at date of issued	4,051,090	4,051,090
Interest charged	215,971	215,971
Interest paid	–	–
Liability component at the end of the year	4,267,061	4,267,061

During the year, the bondholders have convened all convertible bonds at an amount in whole multiple of HK$50,000 of the principal amount of the convertible bonds into 761,000,000 ordinary shares of HK$0.001 each in the share capital of the Company at nil conversion price.

27. Amount due to a director

Amount due to a director is unsecured, non-interest bearing and has no fixed repayment terms.

28. Long-term loans

Long-terms loans represent amount due to certain shareholders of the Company which are unsecured and non-interest bearing. The lenders have agreed not to demand repayment of the loans until the Group has sufficient funds available to do so and in any event will not demand repayment within the next twelve months.

29. Deferred tax

At 31 December 2009, the Group has unused tax losses of approximately HK$41,471,000 (2008: HK$28,967,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2009, the Group has deductible temporary differences of approximately HK$40,930,000 (2008: HK$40,225,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

No provision for deferred taxation has been recognised in the financial statements of the Company as the amount involved is insignificant.

30. Share capital

	Number of share		**Share capital**	
	2009	2008	**2009**	2008
			HK$	HK$
Authorised:				
1,000 Billion ordinary shares of HK$ 0.001 each *(note a)*	**1,000,000,000,000**	1,000,000,000,000	**1,000,000,000**	1,000,000,000
Issued and fully paid:–				
At the beginning of year	**299,000,000**	600,000,000	**299,000**	60,000,000
Capital re-organisation *(note a)*	**–**	(540,000,000)	**–**	(59,940,000)
Issue of shares (note b)	**–**	239,000,000	**–**	239,000
Conversion of convertible bonds *(note c)*	**761,000,000**	–	**761,000**	–
Bonus issue *(note d)*	**3,180,000,000**	–	**3,180,000**	–
At the end of year	**4,240,000,000**	299,000,000	**4,240,000**	299,000

30. Share capital *(continued)*

Note (a): Pursuant to the special resolution passed on 15 August 2008, the shareholders of the Company approved the capital reorganisation which involved:

(i) the consolidation of every ten existing shares of HK$0.10 each into one Consolidated Share of HK$1.00 each;

(ii) the reduction of the issued share capital through canceling the paid-up capital to the extent of HK$0.999 on each of the issued Consolidated Share so that the nominal value of each issued Consolidated Share will be reduced from HK$1.00 into HK$0.001;

(iii) the subdivision of each authorised but unissued Consolidated Share of HK$1.00 each into 1,000 New Shares of HK$0.001 each; and

(iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account.

Details of the capital reorganisation and subscription for new shares are set out in the circular dated 22 July 2008.

Note (b): Pursuant to the ordinary resolution passed on 15 August 2008, the shareholders of the Company approved to allot and issue 239,000,000 new shares at a price of HK$0.01 to subscribers in accordance with the subscription agreements entered between the Company and the subscribers on 5 June 2008.

Note (c): Details of the convention of convertible bonds are set out in note (26) to the financial statements.

Note (d): Pursuant to the announcement issued on 27 March 2009, bonus issue has been made on the basis of 3 bonus shares, credited as fully paid, for every 1 existing issued share held by the shareholders.

Details of the bonus issue are set out in the circular dated 27 March 2009.

31. Share option scheme

By a written resolution of its then sole shareholder of the Company passed on 21 July 2001, the Share Option Scheme was approved and adopted.

Share options are granted to any full-time executive director or full-time employee of the Group at the directors' discretion at price determined by the board of the directors, being not less than the highest of the closing price of share of grant and the average closing price of the share of the Company as stated in the daily quotation sheet ("Quotation sheet") of GEM on the date of grant and the average closing price of the share of the Company as stated in the quotation sheets for the 5 business days immediately preceding the date of grant and nominal value of a share of the Company.

31. Share option scheme *(continued)*

The maximum number of shares of the Company in respect of which share options may be granted under the Share Option Scheme and any other Schemes of the Company must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time. The total number of shares of the Company available for issue under share options which may be granted under the Share Option Schemes and any other schemes must not, in aggregate, exceed 10% of the shares in issue as at the date of this report unless shareholders' approval has been obtained.

The share options may be exercised in accordance with terms of the Share Option Scheme at any time during the period of not less than 3 years and in any event not more than 10 years from the date of the grant of the option.

Since the number of share options granted by the Company in 18 June 2009 and 2 July 2009 have exceeded the maximum number of share options that can be granted as prescribed under the rules of the Share Option Scheme, all the share options purported to be granted were invalid and deemed to have been cancelled during the year. None of the aforesaid share options have been exercised by the relevant grantees.

The movements of share options in last year are as follows:

					Number of options				
Participant	Date of grant	Exercise price HK$	Exercise period	At 1/1/2008	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31/12/2008
Directors	6/6/2002	0.158	6/6/2002 – 6/6/2012	49,000,000	–	–	–	(49,000,000)	–
Employees	6/6/2002	0.158	6/6/2002 – 6/6/2012	11,000,000	–	–	–	(11,000,000)	–
				60,000,000	–	–	–	(60,000,000)	–

Share options previously granted to the grantees had lapsed upon the termination of the grantees' services.

32. Reserves

(a) The Group

	Share premium HK$	Exchange reserve HK$	Contributed surplus HK$	Convertible bonds reserves HK$	Accumulated losses HK$	Total HK$
At 1 January 2008	1,796,747	2,609,303	14,607,973	–	(77,450,830)	(58,436,807)
Loss for the year	–	–	–	–	(7,283,932)	(7,283,932)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	488,278	–	–	–	488,278
Total comprehensive income for the year	–	488,278	–	–	(7,283,932)	(6,795,654)
Reduction of share capital *(note 30)*	–	–	59,940,000	–	–	59,940,000
Issue of shares *(note 30)*	2,151,000	–	–	–	–	2,151,000
Issue of convertible bonds *(note 26)*	–	–	–	3,558,910	–	3,558,910
Transfer *(note a)*	–	–	(74,547,973)	–	74,547,973	–
At 31 December 2008 and at 1 January 2009	3,947,747	3,097,581	–	3,558,910	(10,186,789)	417,449
Loss for the year	–	–	–	–	(3,081,494)	(3,081,494)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	(1,592,944)	–	–	–	(1,592,944)
Total comprehensive income for the year	–	(1,592,944)	–	–	(3,081,494)	(4,674,438)
Conversion of convertible bonds *(note 26)*	7,216,864	–	–	(3,558,910)	–	3,657,954
Bonus issues *(note 30)*	(3,180,000)	–	–	–	–	(3,180,000)
At 31 December 2009	7,984,611	1,504,637	–	–	(13,268,283)	(3,779,035)

32. Reserves *(continued)*

(b) The Company

	Share premium HK$	Convertible bonds reserves HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At 1 January 2008	1,796,747	–	–	(62,435,510)	(60,638,763)
Loss for the year	–	–	–	(4,622,801)	(4,622,801)
Total comprehensive income	–	–	–	(4,622,801)	(4,622,801)
Reduction of share capital *(note 30)*	–	–	59,940,000	–	59,940,000
Transfer *(note a)*	–	–	(59,940,000)	59,940,000	–
Issue of shares *(note 30)*	2,151,000	–	–	–	2,151,000
Issue of convertible bonds *(note 26)*	–	3,558,910	–	–	3,558,910
At 31 December 2008 and at 1 January 2009	3,947,747	3,558,910	–	(7,118,311)	388,346
Loss for the year	–	–	–	(14,419,090)	(14,419,090)
Total comprehensive income	–	–	–	(14,419,090)	(14,419,090)
Conversion of convertible bonds	7,216,864	(3,558,910)	–	–	3,657,954
Bonus issues *(note 30)*	(3,180,000)	–	–	–	(3,180,000)
At 31 December 2009	7,984,611	–	–	(21,537,401)	(13,552,790)

Note a: Pursuant to the special resolution passed on 15 August 2008, the shareholders of the Company approved to apply the contributed surplus to set off against the accumulated losses.

33. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are as follows:

(a) In last year, a related company provided the trademarks and the distribution channel of several watches brands to a subsidiary of the Company for watch distribution at nil consideration. The directors of the Company, Mr. Liao Lien Shen (resigned on 19 August 2008) and Mr. Liao Ko Ping (resigned on 19 August 2008), are the beneficial owners and directors of the related company.

(b) Amount due to a director

	The Group	
	2009	2008
	HK$	HK$
Amount due to a director *(note 27)*	**50,000**	–

(c) The remuneration of directors and other members of key management during the year was as follows:

	The Group	
	2009	2008
	HK$	HK$
Short-term benefits	**1,862,065**	1,178,032
Post-employment benefit	**15,000**	6,000
	1,877,065	1,184,032

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. Commitments

(a) Operating lease commitments

At the end of the reporting period, the total future minimum lease payments under non- cancelable operating leases are as follows:–

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Properties				
Within 1 year	**3,163,611**	545,760	**255,285**	330,000
After 1 year but within 5 years	**4,239,324**	82,110	**–**	–
	7,402,935	627,870	**255,285**	330,000

(b) Capital commitments

At the end of the reporting period, the Group had capital commitments contracted but not provided for in the financial statements as follows:

	2009	2008
	HK$	HK$
Capital contribution to		
A joint venture company	**4,542,000**	–

35. Contingent liabilities

At the end of the reporting period, the Group had contingent liability of approximately HK$7 million in respect of the default of payment of rent arising from the lease of a property by a subsidiary, namely Seamless Green China (HK) Limited (the "subsidiary"), in Hong Kong since September 2009. The amount of this contingent liability has been accounted for in the commitments under operating leases as set in note 34(a) above. However, the subsidiary was disposed of by the Group on 28 January 2010.

36. Litigation

In respect of the default of payment of rent as set out in note 35 above, legal action was taken by landlord to claim for the outstanding rent amounting to HK$471,036 against Seamless Green China (HK) Limited in November 2009.

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

37. Financial instrument

(a) Categories of financial instruments

	2009	2008
	HK$	HK$
Financial assets		
Fair value through profit or loss		
Marketable securities	**–**	2,514,000
Loans and receivables		
Trade and other receivables	**2,250,947**	5,306,550
Cash and bank balances	**781,813**	1,884,956
	3,032,760	7,191,506
Financial liabilities at amortised cost		
Trade and other payables	**6,506,149**	8,567,500
Short-term loans	**1,610,477**	7,532,414
Amount due to a director	**50,000**	–
Long-term loans	**8,535,172**	–
Convertible bonds	**–**	4,267,061
	16,701,798	20,366,975

(b) Financial risk management and policies

The Group's major financial instruments include trade and other receivables, cash and bank balances, trade and other payable, short-term and long-term loans. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

37. Financial instrument *(continued)*

(b) Financial risk management and policies *(continued)*

Market risk

Foreign currency risk

Certain subsidiaries of the Group have foreign currency sales and purchases, certain trade receivables and other payables and bank deposits are denominated in foreign currencies other than the respective functional currencies of the relevant group entities and thus expose the Group to foreign currency risk. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	ASSETS		**LIABILITIES**	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
RMB	**1,026,395**	1,228,656	**1,026,904**	1,130,121
JYP	**5,809**	5,809	**23,198**	23,198
CHF	**223,994**	1,637,974	**164,425**	607,657
EUR	**3,990**	3,990	**1,774,721**	3,218,332

Sensitivity analysis

The Group is mainly exposed to the effect of fluctuation in Renminbi, Japanese Yen, Swiss Franc and Euro. The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency exchange rates of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A negative number below indicates a decrease in post-tax loss for the year where the functional currency of the relevant group entities strengthen 5% against relevant foreign currency. For a 5% weakening of the functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the loss, and the balances below would be positive.

37. Financial instrument *(continued)*

(b) Financial risk management and policies *(continued)*

Sensitivity analysis *(continued)*

	2009	2008
	HK$	HK$
RMB	(1,123)	4,927
JYP	(869)	(869)
CHF	2,978	51,516
EUR	(87,037)	(160,717)

Interest rates risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Credit risk management

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings.

Credit risk is concentrated as 3.9% (2008: 25.4%) and 35.2% (2008: 44.6%) of the total trade receivables are due from the Group's largest customer and the five largest customers within the manufacture and sales of sapphire and optoelectronic business segment. However, the management considers, based on the strong financial background and good creditability of those debtors, there are no significant credit risks.

37. Financial instrument *(continued)*

(b) Financial risk management and policies *(continued)*

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from operations and borrowings from certain shareholders as a significant source of liquidity.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The amounts included below for variable interest rate instruments for non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

37. Financial instrument *(continued)*

(b) Financial risk management and policies *(continued)*

Liquidity risk management *(continued)*

Liquidity tables (continued)

	Effective interest rate %	On demand or less than 3 months HK$	3 months to 1 year HK$	More than 1 year HK$	Total undiscounted cash flows HK$	Total carrying amount at 31.12.2009 HK$
2009						
Non-derivative financial assets						
Trade and other receivables	–	2,064,568	186,379	–	2,250,947	2,250,947
Cash and bank balances	–	781,813	–	–	781,813	781,813
		2,846,381	186,379	–	3,032,760	3,032,760
Non-derivative financial liabilities						
Trade and other payables	–	6,506,149	–	–	6,506,149	6,506,149
Short-term loans	–	–	1,610,477	–	1,610,477	1,610,477
Amount due to a director	–	50,000	–	–	50,000	50,000
Long-term loans	–	–	–	8,535,172	8,535,172	8,535,172
		6,556,149	1,610,477	8,535,172	16,701,798	16,701,798

	Effective interest rate %	On demand or less than 3 months HK$	3 months to 1 year HK$	More than 1 year HK$	Total undiscounted cash flows HK$	Total carrying amount at 31.12.2008 HK$
2008						
Non-derivative financial assets						
Marketable securities	–	2,514,000	–	–	2,514,000	2,514,000
Trade and other receivables	–	4,209,292	1,097,258	–	5,306,550	5,306,550
Cash and bank balances	–	1,884,956	–	–	1,884,956	1,884,956
		8,608,248	1,097,258	–	9,705,506	9,705,506
Non-derivative financial liabilities						
Trade and other payables	–	8,567,500	–	–	8,567,500	8,567,500
Short-term loans	–	–	7,532,414	–	7,532,414	7,532,414
Convertible bonds	15.077	–	–	4,267,061	4,267,061	4,267,061
		8,567,500	7,532,414	4,267,061	20,366,975	20,366,975

37. Financial instrument *(continued)*

(c) Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The fair value of derivative financial instruments are determined based on the valuation provided by counterparty financial institutions for equivalent instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

38. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the directors of the Company may adjust the dividend payment to shareholders, return capital to shareholders and issue of new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade and other payables, loan from third party and shareholders, less cash and cash equivalents, and excludes discontinued operations. Capital includes equity attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	GROUP	
	2009	2008
	HK$	HK$
Trade and other payables *(note 24)*	**6,506,149**	8,567,500
Short-term loans *(note 25)*	**1,610,477**	7,532,414
Amount due to a director *(note 27)*	**50,000**	–
Long-term loans *(note 28)*	**8,535,172**	–
Convertible bonds *(note 26)*	**–**	4,267,061
Less: Cash and cash equivalents *(note 23)*	**(781,813)**	(1,884,956)
Net debt	**15,919,985**	18,482,019
Equity attributable to the owners of the company	**460,965**	716,449
Total capital	**460,965**	716,449
Capital and net debt	**16,380,950**	19,198,468
Gearing ratio	**97.2%**	96.3%

39. Particulars of principal subsidiaries

Particulars of the subsidiaries of the Company at 31 December 2009 and 2008 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2009	2008	**2009**	2008	
Oriental Light (Holdings) Limited	The British Virgin Island (the "BVI")	HK$25,000,000	**100%**	100%	**–**	–	Investing holding
Oriental Light Industries Limited	Hong Kong	HK$1,000,000	**–**	–	**100%**	100%	Investment holding and trading of synthetic sapphire watch crystals
Oriental Light (Fuqing) Company Limited(#)	The PRC	HK$27,970,000	**–**	–	**100%**	100%	Manufacturing of synthetic sapphire watch crystals
Fast Systems Limited	Hong Kong	HK$ 2	**–**	–	**100%**	100%	Inactive
Orient Rise International Limited	BVI	US$ 1	**–**	–	**100%**	100%	Inactive
福清連誠精密加工有限公司(#)	The PRC	HK$ 7,530,000	**–**	–	**100%**	100%	Property Holding
Fast Systems Limited	BVI	US$ 1	**–**	–	**100%**	100%	Trading of synthetic sapphire watch crystals and distribution of watches
Principle Industries Limited	BVI	US$ 1	**–**	–	**100%**	100%	Investment holding
Superjet Technologies Limited	Hong Kong	HK$ 2	**–**	–	**100%**	100%	Investment holding and trading of ferrules
Fujian Superjet Technologies Company Limited(#)	The PRC	US$7,100,000	**–**	–	**100%**	100%	Manufacturing and trading of ferrules
Seamless Green China (BVI) Limited(*)	BVI	US$1	**100%**	–	**–**	–	Investing Holding
Seamless Green China (HK) Limited(*)	Hong Kong	HK$1	**–**	–	**100%**	–	Dormant

(#) *The Companies were wholly foreign owned enterprises in the PRC.*

(*) *The Companies were disposed of on 28 January 2010.*

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

40. Approval of the financial statements

The financial statement were approved and authorised for issue by the board of directors on 4 March 2010.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the past five financial years is set out below:

	Year ended 31 December				
	2009	2008	2007	2006	2005
Results	**HK$**	HK$	HK$	HK$	HK$
Loss from continued operations	**(3,081,494)**	(7,283,932)	(3,748,419)	(4,981,060)	(6,317,389)
Profit from discontinued operation	**–**	–	–	408,260	1,244,355
Loss attributable to shareholders	**(3,081,494)**	(7,283,932)	(3,748,419)	(4,572,800)	(5,073,034)

	2009	2008	2007	2006	2005
Assets and liabilities	**HK$**	HK$	HK$	HK$	HK$
Total assets	**19,249,492**	23,194,699	29,876,473	24,262,124	31,664,410
Total liabilities	**(18,788,527)**	(22,478,250)	(28,313,280)	(20,215,032)	(23,637,793)
Shareholders' equity	**460,965**	716,449	1,563,193	4,047,092	8,026,617