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 2010

Characteristics of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (The "Stock Exchange")

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

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

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

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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. Lam Ping Cheung Andrew *(Chairman)* Mr. Chan Chung Keung Jackon Mr. Wong Kwok Wai Mr. Zhao Wen Tao Mr. Chung Ming Tru Daniel Ms. Chan Yim Kum Mr. Wong Pak Fai Philip
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. Tsui Siu Hung *(Chairman)* Mr. Liu Chun Ning Wilfred Mr. Tso Chip Mr. Lee Tao Wai
Remuneration Committee	Mr. Tsui Siu Hung *(Chairman)* Mr. Liu Chun Ning Wilfred Mr. Tso Chip Mr. Lee Tao Wai
Finance Committee	Ms. Chan Yim Kum *(Chairman)* Mr. Lee Tao Wai Mr. Tsui Siu Hung

CORPORATION INFORMATION

Nominee Committee	Mr. Chan Chung Keung Jackon *(Chairman)* Mr. Lee Tao Wai Mr. Tsui Siu Hung
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

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 2010.

RESULTS

During the year under review, the Group recorded a revenue of approximately HK$32.5 million (2009: HK$15.7 million), representing an increase of approximately 106.89% against the prior year. Net loss attributable to the owners of the Company amounted to approximately HK$11.7 million (2009: HK$3.1 million). Basic loss per share for the year was HK12.27 cents (2009: HK4.66 cents).

BUSINESSES

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

Synthetic Sapphire Watch

Sales of sapphire watch crystal in 2010 increased by 106.91% to approximately 26.5 million as a result of the market recovery in the watch sector.

Optoelectronic Product

Sales from the optoelectronic products division in 2010 was approximately HK$4.3 million (2009: HK$2.9 million), representing an increase of approximately 49.56% against the prior year. The increase in turnover is mainly due to the increase in the market demand.

Liquor Product

Sales from the liquor products division in 2010 was approximately HK$1.7 million (2009: Nil).

PROSPECTS

In the United States, the Federal Reserve announced a round of quantitative easing, more commonly named as "QE2". It is expected that it will create a pressure for currencies appreciation around the globe. The RMB's possible further appreciation, coupled with the local inflationary pressures might further have an impact on the production costs, such as the labour costs and the costs of raw materials.

Under such unfavourable market economic condition, the Group will continue to be very cautious and to monitor the market and the operations of the Group very closely and to explore opportunities and measures to reduce manufacturing costs during such difficult times.

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

During the year ended 31 December 2010, the Group has strengthened its investment plan in the energy-efficient product market, details were disclosed in the "Business Review" paragraph of this report. The Board believes that this market will be the blue ocean in the world wide business, especially in the PRC. The Group will continue its effort in developing its business in the energy-efficient street-lamp markets and is confident that this market will contribute cash inflows to the Group.

In addition, the Group has engaged in a new business in liquor market. During the year, in order to develop the liquor market, the Group has appointed a consultant to perform wide range of advisory consulting services in relation to alcohol beverage trading of the Group. The trading in alcohol beverage generated cash inflows to the Group. The Board is confident that this market will become another bright business of 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.

Lam Ping Cheung Andrew
Chairman
23 March 2011

Financial review

The turnover of the Group for the year ended 31 December 2010 increased by HK$16.81 million; cost of sales increased to HK$26.77 million for the year ended 31 December 2010 from that of HK$15.69 million for the year ended 31 December 2009. Gross profit margin increased to 17.75% for the year ended 31 December 2010 from 0.2% for the year ended 31 December 2009. The increase in gross profit margin was primarily due to the increase in product selling price and improvement in factory manufacturing efficiency.

Net loss attributable to shareholders amounted to approximately HK$11.7 million (2009: net loss HK$3.1 million). Basic loss per share for the year was HK12.27 cents (2009: HK4.66 cents).

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the year ended 31 December 2010 increased by HK$13.71 million; cost of sales of the sapphire watch crystals during the same year increased to HK$20 million from that of HK$13.7 million for the year ended 31 December 2009.

Turnover generated from European customers increased to HK$13.8 million for the year ended 31 December 2010, representing an increase of approximately 89% from that of HK$7.3 million generated from the year ended 31 December 2009. Sales to customers in Taiwan increased to HK$4.8 million for the year ended 31 December 2010, representing an increase of approximately 220% from that of HK$1.5 million for the year ended December 2009. Turnover from Hong Kong customers increased to HK$10.5 million for the year ended 31 December 2010, representing an increase of approximately 162.5% from that of HK$4.0 million generated for the year ended 31 December 2009.

Optoelectronics products division

The sales of ferrules for the year ended 31 December 2010 and 2009 were amounted to HK$4.3 million and HK$2.9 million respectively. Cost of sales for the corresponding periods were HK$6.2 million and HK$1.9 million respectively.

Liquor Product

Sales from the liquor products division in 2010 was amounted to HK$1.7 million. Cost of sales in 2010 was amounted to HK$1.6 million.

Other income

Other income for the year ended 31 December 2010 amounted to HK$1.3 million, representing a decrease of approximately 91.48% from that of HK$14.8 million generated from the year ended 31 December 2009. This was mainly due to the waive of short-term loans of HK$14.5 million in 2009.

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

Selling and distribution costs for the year ended 31 December 2010 amounted to HK$2.12 million. This represents a decrease of HK$0.29 million from that recorded for the year ended 31 December 2009.

Total administrative and other operating expenses were HK$17.7 million for the year ended 31 December 2010 and HK$13.83 million for the year ended 31 December 2009. The increase was attributable to the increase in legal and professional and relevant expenses incurred for the recent resumption of trading in the shares of the Company.

Financial resources and liquidity

The Group's shareholders funds were increased to HK$19.1 million as at 31 December 2010 (2009: HK$0.46 million). Current assets amounted to HK$34.65 million as at 31 December 2010 (2009: HK$9.95 million), of which HK$3.53 million (2009: HK$0.78 million) was cash and bank balances and HK$12.82 million (2009: Nil) was financial assets at fair value through profit or loss.

As at 31 December 2010, the Group's total borrowings amounted to HK$7.35 million (2009: HK$10.2 million), of which HK$7.35 million (2009: HK$1.6 million) were short-term borrowings repayable within one year.

The Group's gearing ratios as at 31 December 2010 was 48.2% (2009: 97.2%). Gearing ratio is calculated by dividing the net debt with the aggregate of total capital and net debt. Net debt includes trade payables, other payable and accruals, short-term loans, 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 had transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars ("USD"), Swiss Franc ("CHF"), Chinese Renminbi ("RMB"), Japanese Yen ("Yen"), Euro ("Euro"), New Taiwan dollars ("NTD") and Hong Kong dollars ("HKD"). Approximately 68% (2009: 98%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, and almost 94% (2009: 99%) of costs are denominated in currencies other than the units' functional currency.

During the year ended 31 December 2010, the exchange rate of USD and RMB was quite stable and the exchange rate of CHF, Yen, NTD and Euro were comparatively volatile. Approximately 57% (2009: 78%) of the Group's sales are denominated in these currencies.

As at 31 December 2010, the Group had not hedged any foreign currency sales to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

At 31 December 2010, the Group had no material contingent liabilities (2009: HK$7 million.)

Litigation

Save as disclosed in note 34 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

On 25 August 2010, the Company announced an open offer proposal to raise approximately HK$20 million before expenses, by way of issuing 1,995,294,112 offer shares at the subscription price of HK$0.01 per offer share on the basis of eight offer shares for every seventeen shares held. All subscription monies for the open offer were received by the Company on 11 October 2010.

Pursuant to the resolution passed by the shareholders at the special general meeting of the company on 6 October 2010, every fifty issued shares of HK$0.001 each was consolidated into one consolidated share of HK$0.05 each effective from 13 October 2010.

On 15 November 2010, the Company entered into a placing agreement with a placing agent to raise approximately HK$10.5 million before expenses, by way of placing 16,960,000 shares at the placing price of HK$0.62 per share under the general mandate granted to the Board at the annual general meeting of the Company held on 15 April 2010. All money for the placing were received by the Company on 22 November 2010.

On 30 December 2010, the Company entered into a warrant subscription agreement with a subscriber, Equity Reward Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Lam Ping Cheung Andrew, the chairman of the Company and an executive Director. Pursuant to the warrant subscription, the Company has conditionally agreed to issue and allot to the subscriber whereas the subscriber has conditionally agreed to subscriber a total of 28,000,000 warrants at the Warrant Issue Price of HK$0.05 per warrant. The gross proceeds from the warrant subscription of HK$1.4 million will be satisfied by payment of cash by the subscriber at completion of the warrant subscription.

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

Employees

As at 31 December 2010, the Group had 139 (2009: 198) employees. Employees were remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits included free accommodation at the Group's staff quarters in the Peoples' Republic of China ("PRC") and performance bonus. Total staff costs including directors' remuneration for 2010 were HK$6.3 million (2009: HK$5.6 million).

Material acquisitions and disposal of subsidiaries and affiliated companies

During the year, the Group disposed of subsidiaries which resulted in a gain of approximately HK$447,000. Save as disclosed, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2010.

Segmental Information

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

Business review

During the year, the principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals and optoelectronics products. However, in order in diversify the risk in watch business, the Group decided to invest in the energy efficient street-lamp markets in the PRC and liquor market.

In order to expedite the process in the investment in the energy-efficient street-lamp markets in the PRC. On 23 March 2010, the Company entered into a Supplementary Agreement with Nei Meng Gu Xin Rui Sheng Mao Company Limited (內蒙古鑫睿商貿有限公司) ("Xin Rui") to amend the terms of the Joint Venture Agreement previously signed with Xin Rui. Details of the terms of the Supplementary Agreement were set out in the Announcement issued by the Company on 26 March 2010.

In order to improve and develop the business of replacement of energy efficient streets lamps business, the Company has granted a loan of approximately HK$2.9 million (ie. approximately RMB2.5 million) to Bright City Corporation Limited ("Bright City") (a company incorporated in Hong Kong which is an independent third party) pursuant to the agreement dated 2 December 2010 made between, inter alia, Boom Creation Limited ("Boom Creation") (a wholly owned subsidiary of the Company) and Bright City. The loan should be used as working capital of replacement of energy efficient streets lamps business. The loan was expected to be repaid to the Company by the end of 2011.

Pursuant to sale and purchase agreement dated 2 December 2010, made between, inter alia, Boom Creation and an independent third party, upon completion of the reorganization of Top Prize Investments Limited and its subsidiaries, Boom Creation has conditionally agreed to acquire and the independent third party has conditionally agreed to sell 51% issue share of Top Prize Investments Limited which will own the entire issued share capital of Bright City and Bright City will own the entire equity interest in a PRC limited company whose principal business is a manufacturing, trading and installation of energy-efficient street lamps in the PRC, with a consideration of RMB200,000 (approximately HK$235,440).

For the liquor market, during the year, Rich Point International Limited, a wholly owned subsidiary of the Company entered into an agreement with a consultant. Pursuant to the agreement dated 23 November 2010, the consultant is appointed to perform wide range of advisory consulting services in relation to alcohol beverage trading of the Company (the "Agreement").

The Company intends to engage in the alcohol beverage trading business by developing its own sales team and network. Pursuant to the Agreement, the consultant will provide a wide range of advisory consulting services, including but not limited to solicit, refer and source suppliers and manage, supervise and monitor projects relating to the alcohol beverage trading business for Rich Point at all times for a Consultancy fee of 3% of the aggregate value of the trading of the beverage products sold by the consultant or supplier referred by them until the Company decide to terminate the Agreement.

Red wine industry is growing with admirable pace both in Hong Kong and the PRC. After the exemption of wine duty in Hong Kong in February 2008, red wine industry has developed quickly to surpass the United Kingdom and become the second largest red wine auction centre in 2009. Due to the geographical superiority and positive attitude of Hong Kong Government towards red wine trade, red wine industry is well prepared to achieve a positively and healthy growth in future.

The Board considered that the entering into of the Agreement demonstrates the diversification of risk and broadens the sources of income of the Company. Meanwhile, the Company also tries its best endeavors to seize every opportunity to expand its retail channel in Hong Kong and the PRC and capture the ever growing customer base in Hong Kong and the PRC.

Prospects

Since the China and global economies remained 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 2011. 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 2010, the Group has taken successful steps in investing in the energy-efficient product market, details were 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 both the energy-efficient streetlamp markets and red wine market and has confident that these markets will soon contribute cash inflows to the Group.

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

Corporate governance

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

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

Directors' securities transaction

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have compiled with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year 31 December 2010.

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 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$2,953,940 in 2010.

For the year ended 31 December 2010, the Remuneration Committee held 1 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	1/1
Liu Chun Ning Wilfred	0/1
Tso Chip	0/1
Wong Kwok Wai (redesignated as Executive Director on 5 January 2010)	0/0
Lee Tao Wai	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 2010 and thereafter up to 28 March 2011, the latest practicable date prior to the printing of this annual report, the directors are as follows:

Executive directors

Lam Ping Cheung Andrew *(Chairman)* (appointed on 29 November 2010)
Chan Chung Keung Jackon
Wong Kwok Wai (redesignated from an independent non-executive director to an executive director on 5 January 2010)
Zhao Wen Tao
Chung Ming Tru Daniel
Chan Yim Kum (appointed on 5 January 2010)
Wong Pak Fai Philip
Gao Zhiwei (retired on 15 April 2010)
Mak Kai Chun Kevin (resigned on 1 February 2010)
Williamson Lam (resigned on 1 February 2010)
Chen Jun Nong (resigned on 26 January 2010)
Tang Man Lai (appointed on 30 June 2010 and resigned on 24 March 2011)

Independent Non-executive directors

Tsui Siu Hung
Liu Chun Ning Wilfred
Tso Chip
Lee Tao Wai

Pursuant to clause 86(2) of the current Bye-laws, Mr. Lam Ping Cheung Andrew, who was appointed as director after the annual general meeting of the Company held on 15 April 2010, shall hold office until the 2011 AGM. Pursuant to clause 87 of the current Bye-laws, Mr. Wong Kwok Wai, Mr. Zhao Wen Tao, Mr. Wong Pak Fai Philip and Mr. Tsui Siu Hung shall retire by rotation at the 2011 AGM. All of the above five retiring directors, being eligible, will offer themselves for re-election at the 2011 AGM.

The Company has received from each of the independent non-executive directors an annual confirmation of their independence pursuant to Rule 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 2010, the Board held 44 meetings.

The attendance of the Directors at the meetings held during the year ended 31 December 2010 is as follows:

Directors	**Number of attendance**
Lam Ping Cheung Andrew *(Chairman)* (appointed on 29 November 2010)	0/3
Chan Chung Keung Jackon	41/44
Wong Kwok Wai	40/44
Zhao Wen Tao	17/44
Chung Ming Tru Daniel	37/44
Chan Yim Kum (appointed on 5 January 2010)	41/44
Wong Pak Fai Philip	1/44
Gao Zhiwei (retired on 15 April 2010)	0/13
Mak Kai Chun Kevin (resigned on 1 February 2010)	1/6
Williamson Lam (resigned on 1 February 2010)	3/6
Chen Jun Nong (resigned on 26 January 2010)	0/6
Tang Man Lai (appointed on 30 June 2010)	16/23
Tsui Siu Hung	16/44
Liu Chun Ning Wilfred	2/44
Tso Chip	1/44
Lee Tao Wai	13/44

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 2010 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 2010, the audit committee held four 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	4/4
Liu Chun Ning Wilfred	0/4
Tso Chip	0/4
Wong Kwok Wai (redesignated as Executive Director on 5 January 2010)	0/0
Lee Tao Wai	4/4

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	
– Audit services	600,000
– Other services	567,000

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. Lam Ping Cheung Andrew 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.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2010.

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 2010 are set out in the consolidated statement of comprehensive income on page 25.

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 28 and note 31 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 2010, no reserve was available for distribution to the owners of the Company (2009: Nil).

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2010 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 91.

Share capital

Details of the movements during the year in the share capital of the company are set out in consolidated statement of change in equity on page 28 and note 29 to the financial statements respectively.

Charitable donations

During the year, the Group made charitable donations amounting to HK$200,000.

Directors

Executive Directors

Mr. Lam Ping Cheung Andrew, aged 59, the Chairman of the Company, is a renowned solicitor in Hong Kong. He graduated from the Chinese University of Hong Kong in 1977 and holds a bachelor degree in social science. In 1980, he went to the United Kingdom to pursue his legal studies. He was qualified as a solicitor in Hong Kong in 1985. Mr. Lam was the founder and partner of Messrs. Lam & Co. (formerly known as Messrs. Andrew Lam & Co), a law firm in Hong Kong.

Mr. Chan Chung Keung Jackon, aged 42, 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 37, 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 31, 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 52, 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 46, 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 47, (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.

Independent Non-executive Directors

Mr. Liu Chun Ning Wilfred, aged 49, 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 34, 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 fellow certified public accountant (practising) in Hong Kong.

Mr. Tso Chip, aged 52, 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 32, 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 25% 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 note 32 to the financial statements.

Share options Scheme and outstanding share options

Details of the Company's share option scheme and the movement in outstanding share options are set out in note 30 to the consolidated financial statements.

Directors' and chief executive's interests in securities

As at 31 December 2010, 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	Underlying Shares	Long/Short Position	Approximate percentage of total relevant class of shares in shares
Wong Pak Fai Philip	Beneficial owner	7,400	–	Long position	0.005%
Tang Man Lai	Beneficial owner and interest in a controlled corporation	33,616,175	1,416,658	Long position	24.73%
	Interest in a controlled corporation	16,800,000	–	Short position	11.86%
Liu Chun Ning Wilfred	Beneficial owner	380,000	–	Long position	0.27%
Lam Ping Cheung Andrew	Beneficial owner	–	28,000,000	Long position	19.76%
Chan Chung Keung Jackon	Beneficial owner	–	1,416,658	Long position	1%
Chan Yim Kum	Beneficial owner	–	1,416,658	Long position	1%
Chung Ming Tru Daniel	Beneficial owner	–	1,416,658	Long position	1%
Wong Kwok Wai	Beneficial owner	–	1,416,658	Long position	1%

As at 31 December 2010, 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 2010, 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	Long/Short Position	Percentage of issued shares *(Note 7)*
Good Capital Resources Limited *(Note 1)*	Beneficial owner	16,800,000	–	Long position	11.86%
	Beneficial owner	16,800,000	–	Short position	11.86%
Tang Man Lai *(Note 1)*	Beneficial owner and interest in a controlled corporation	33,616,175	1,416,658	Long position	24.73%
	Interest in a controlled corporation	16,800,000	–	Short position	11.86%
Sun Finance Company Limited *(Note 2)*	Security interest	16,800,000	–	Long position	11.86%
Sino Harvest Investment Holdings Limited *(Notes 2 & 3)*	Interest in a controlled corporation	16,800,000	–	Long position	11.86%

Name of shareholders	Capacity	Number of shares	Underlying Shares	Long/Short Position	Percentage of issued shares *(Note 7)*
Cheng Ting Kong *(Note 3)*	Interest in a controlled corporation	16,800,000	–	Long position	11.86%
Chau Cheok Wa *(Note 3)*	Interest in a controlled corporation	16,800,000	–	Long position	11.86%
Equity Reward Ltd *(Note 4)*	Beneficial owner	–	28,000,000	Long position	19.76%
Lam Ping Cheung Andrew *(Note 4)*	Interest in a controlled corporation	–	28,000,000	Long position	19.76%
iReady360 Media Networks Limited *(Notes 5 & 8)*	Beneficial owner	15,202,800	–	Long position	10.73%
Ng Wai Lok, Raylot *(Notes 5 & 8)*	Interest in a controlled corporation	15,202,800	–	Long position	10.73%
Chong Wai Moon Joe	Beneficial owner	10,518,823	–	Long position	7.43%
Evening Triumph Holdings Limited *(Notes 6 & 8)*	Beneficial owner	8,800,000	–	Long position	6.21%
Kwok Sze Nga *(Notes 6 & 8)*	Interest in a controlled corporation	8,800,000	–	Long position	6.21%
JMM Business Network Investments (China) Limited *(Note 8)*	Beneficial owner	8,800,000	–	Long position	6.21%

Notes:

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

2. Sun Finance Company Limited is wholly owned by Sino Harvest Investments Holdings Limited.

3. Sino Harvest Investments Holdings Limited is owned as to 50% by Cheng Ting Kong and 50% by Chau Cheok Wa.

4. Equity Reward Limited is wholly owned by Lam Ping Cheung Andrew. Pursuant to the warrant subscription agreement signed on 30 December 2010, the Company has conditionally agreed to issue and allot 28,000,000 warrants to Equity Reward Limited upon fulfillment of several conditions. Each warrant can subscribe for one new share of the Company. As at the date of this report, no warrant has been issued.

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

6. Miss Kwok Sze Nga is the controlling shareholders of Evening Triumph Holdings Limited.

7. The percentage is calculated based on 141,665,882 shares.

8. Pursuant to the order granted by the High Court of Hong Kong on 8th December 2009, JMM Business Network Investments (China) Limited, iReady360 Media Networks Limited, Evening Triumph Holdings Limited, Mr. Ng Wai Lok, Raylot (as the controlling shareholder of iReady360 Media Networks Limited) and Miss Kwok Sze Nga (as the controlling shareholder of Evening Triumph Holdings Limited) are restrained and prohibited, until further order of the court, from exercising any voting right in and from disposing of, selling transferring, mortgaging, assigning, charging or otherwise dealing with any of the ordinary shares of the Company registered in the name of JMM Business Network Investments (China) Limited, iReady360 Media Networks Limited and Evening Triumph Holdings Limited except in accordance with the instructions of consent of Good Capital Resources Limited.

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 2010, 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 2010, 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 2010.

Major customers and suppliers

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

– The largest customer	27%
– Five largest customers	84%

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

– The largest supplier	63%
– Five largest suppliers	71%

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 2010.

Competing interests

During the year ended 31 December 2010, 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.

Dividend

The directors do not recommend the payment of any dividend to the shareholders of the Company for the year ended 31 December 2010 (2009: Nil).

Auditors

The company's auditors, Pan-China (H.K.) 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

Lam Ping Cheung Andrew
Chairman

Hong Kong, 23 March 2011

INDEPENDENT AUDITORS' REPORT

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 2009)

We have audited the consolidated financial statements of Seamless Green China (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 90, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidation financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the 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

23 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	**2010** HK$	2009 HK$
Turnover	*6(a)*	**32,542,791**	15,729,422
Cost of sales		**(26,765,555)**	(15,688,133)
Gross profit		**5,777,236**	41,289
Other income and gains	*6(b)*	**1,267,266**	14,818,253
Gain on disposal of subsidiaries	*38*	**447,144**	–
Net gain/(loss) on financial assets at fair value through profit or loss	*6(c)*	**672,203**	(1,456,576)
Selling and distribution costs		**(2,117,003)**	(2,410,370)
Administrative and other operating expenses		**(17,697,141)**	(13,833,535)
Loss from operations		**(11,650,295)**	(2,840,939)
Finance costs	*8*	**(29,507)**	(189,967)
LOSS BEFORE TAXATION	*9*	**(11,679,802)**	(3,030,906)
Income tax expense	*10*	**(40,618)**	(50,588)
LOSS FOR THE YEAR		**(11,720,420)**	(3,081,494)
Other comprehensive income:			
Exchange difference on translation of the financial statements of foreign subsidiaries		**235,957**	(1,592,944)
Other comprehensive income for the year, net of tax		**235,957**	(1,592,944)
Total comprehensive income for the year		**(11,484,463)**	(4,674,438)
Loss attributable to equity shareholders of the Company	*13*	**(11,720,420)**	(3,081,494)
Total comprehensive income attributable to equity shareholders of the Company		**(11,484,463)**	(4,674,438)
Dividend	*14*	**NIL**	NIL
Loss per share attributable to the equity shareholders of the Company			(restated)
Basic	*15*	**(12.27 cents)**	(4.66 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 2010

	Note	2010 HK$	2009 HK$
Non-current assets			
Property, plant and equipment	16	**7,339,419**	8,771,891
Assets under construction	17	**–**	–
Prepaid land lease payments	18	**529,870**	526,379
		7,869,289	9,298,270
Current assets			
Prepaid land lease payments	18	**15,680**	15,485
Inventories	20	**5,768,508**	6,902,977
Trade and other receivables	21	**12,516,803**	2,250,947
Financial assets at fair value through profit or loss	22	**12,819,380**	–
Cash and bank balances	23	**3,525,643**	781,813
		34,646,014	9,951,222
Current liabilities			
Trade and other payables	24	**13,929,844**	6,506,149
Tax payable		**2,119,280**	2,086,729
Amount due to a director	25	**–**	50,000
Short-term loans	26	**7,350,885**	1,610,477
		23,400,009	10,253,355
Net current assets/(liabilities)		**11,246,005**	(302,133)
Total assets less current liabilities		**19,115,294**	8,996,137
Non-current liabilities			
Long-term loans	27	**–**	(8,535,172)
NET ASSETS		**19,115,294**	460,965
CAPITAL AND RESERVES			
Share capital	29	**7,083,294**	4,240,000
Reserves	31(a)	**12,032,000**	(3,779,035)
TOTAL EQUITY		**19,115,294**	460,965

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

The financial statements were approved by the Board of Directors on 23 March 2011 and signed on behalf of the Board by:

Chan Chung Keung Jackon
Director

Lam Ping Cheung Andrew
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 HK$	2009 HK$
Non-current assets			
Property, plant and equipment	16	**107,536**	123,643
Interests in subsidiaries	19	**5,274,332**	66,008
		5,381,868	189,651
Current assets			
Trade and other receivables	21	**3,888,446**	18,454
Financial assets at fair value through profit or loss	22	**12,819,380**	–
Cash and bank balances	23	**831,511**	218,201
		17,539,337	236,655
Current liabilities			
Trade and other payables	24	**5,952,165**	1,608,224
Short-term loans	26	**4,520,000**	–
		10,472,165	1,608,224
Net current assets/(liabilities)		**7,067,172**	(1,371,569)
Total assets less current liabilities		**12,449,040**	(1,181,918)
Non-current liabilities			
Long-term loans	27	**–**	(8,130,872)
NET ASSETS/(LIABILITIES)		**12,449,040**	(9,312,790)
CAPITAL AND RESERVES			
Share capital	29	**7,083,294**	4,240,000
Reserves	31(b)	**5,365,746**	(13,552,790)
TOTAL EQUITY/(DEFICIT)		**12,449,040**	(9,312,790)

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

The financial statements were approved by the Board of Directors on 23 March 2011 and signed on behalf of the Board by:

Chan Chung Keung Jackon
Director

Lam Ping Cheung Andrew
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital	Share premium	Exchange reserve	Share-based payment reserve	Convertible bonds reserve	Accumulated losses	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
As 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 and at 1 January 2010	4,240,000	7,984,611	1,504,637	–	–	(13,268,283)	460,965
Loss for the year	–	–	–	–	–	(11,720,420)	(11,720,420)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	235,957	–	–	–	235,957
Total comprehensive income for the year	–	–	235,957	–	–	(11,720,420)	(11,484,463)
Issue of shares	2,843,294	26,275,504	–	–	–	–	29,118,798
Recognition of equity-settled share-based payments	–	–	–	1,019,994	–	–	1,019,994
As at 31 December 2010	7,083,294	34,260,115	1,740,594	1,019,994	–	(24,988,703)	19,115,294

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$	2009 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(11,679,802)**	(3,030,906)
Adjustments for:		
Depreciation of property, plant and equipment	**1,532,197**	3,092,689
Impairment loss recognised in respect of property, plant and equipment	**–**	1,680,000
Amortization of prepaid land lease payments	**15,680**	15,485
Loss on disposal of property, plant and equipment	**–**	124,965
Impairment losses on inventories	**298,855**	203,280
Reversal of impairment on inventories	**–**	(4,639,243)
Write-back of other payables and accruals	**(287,662)**	(54,432)
Impairment losses on trade receivables	**245,710**	–
Short-terms loans waived	**–**	(14,494,295)
Finance costs	**29,507**	189,967
Bank interest income	**(18,244)**	(2,123)
Unrealized gain on financial assets at fair value through profit or loss	**(289,855)**	–
Share-based payment expenses	**1,019,994**	–
Gain on disposal of subsidiaries	**(447,144)**	–
Operating loss before changes in working capital	**(9,580,764)**	(16,914,613)
(Increase)/decrease in financial assets at fair value through profit or loss	**(12,529,525)**	2,514,000
Decrease in inventories	**835,614**	2,321,464
(Increase)/decrease in trade and other receivables	**(10,511,566)**	3,055,603
Increase/(decrease) in trade and other payables	**7,758,461**	(2,014,476)
(Decrease)/increase in amount due to a director	**(50,000)**	50,000
	(24,077,780)	(10,988,022)
Interest paid	**(29,507)**	(38,074)
Overseas taxes paid	**(8,067)**	(67,572)
NET CASH USED IN OPERATING ACTIVITIES	**(24,115,354)**	(11,093,668)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**18,244**	2,123
Payments to acquire property, plant and equipment	**(57,282)**	(5,489,834)
Payments to acquire assets under construction	**–**	(39,233)
Net cash outflow arising from the disposal of subsidiaries	**(4,260)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(43,298)**	(5,526,944)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$	2009 HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of ordinary shares	**29,118,798**	–
Short-term loan obtained	**1,624,708**	8,572,358
Long-term loans (repaid) obtained	**(4,015,172)**	8,535,172
NET CASH GENERATED FROM FINANCING ACTIVITIES	**26,728,334**	17,107,530
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,569,682**	486,918
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**781,813**	1,884,956
EFFECT OF FOREIGN EXCHANGES, NET	**174,148**	(1,590,061)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,525,643**	781,813
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**3,525,643**	781,813

1. Corporate information

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

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

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

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

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").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 4 (Amendment)	Lease – Determination of the Length if Lease Term in Respect of Hong Kong Land Leases
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

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

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)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity[2]

(1) *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
(2) *Effective for annual periods beginning on or after 1 July 2010.*
(3) *Effective for annual periods beginning on or after 1 July 2011.*
(4) *Effective for annual periods beginning on or after 1 January 2013.*
(5) *Effective for annual periods beginning on or after 1 January 2012.*
(6) *Effective for annual periods beginning on or after 1 January 2011.*
(7) *Effective for annual periods beginning on or after 1 February 2010.*

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.

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

HKAS 24 (Revised) clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

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, financial assets at fair value through profit or loss, share options and convertible bonds, which have been measured at revalued amount or fair value.

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.

(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.

4. Significant accounting policies *(continued)*

(b) Business combinations *(continued)*

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.

(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 recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

4. Significant accounting policies *(continued)*

(d) Revenue recognition *(continued)*

- 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 recognized 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.

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.

4. Significant accounting policies *(continued)*

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

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.

(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) Prepaid 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.

4. Significant accounting policies *(continued)*

(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.

(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 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 a 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.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

i) Financial assets *(continued)*

Effective interest method (continued)

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.

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

Loans and receivables

Loans and receivable 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.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

i) Financial assets *(continued)*

Impairment of financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issue or counterparty; or
- Default or delinquency in interest or principal or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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.

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 recognized 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 recognized, the previously recognized 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 recognized.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

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.

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 recognized 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.

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

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

Financial liabilities at FVTPL (continued)

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)

Financial liabilities 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 recognized 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 including in equity (convertible bonds reserve).

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

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

Convertible bonds (continued)

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 recognized 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.

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

iii) *Derecognition*

The Group derecognizes 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 recognizes 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 recognize 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes 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 derecognized and the consideration paid and payable is recognized 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.

(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.

4. Significant accounting policies *(continued)*

(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.

(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 capitalized 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 capitalization.

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

(o) Provisions

A provision is recognized 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 recognized 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.

4. Significant accounting policies *(continued)*

(p) Taxation

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in equity if it relates to items that are recognized 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 purpose.

Deferred tax liabilities are recognized for all taxable temporary differences, expert:

- 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 recognized 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, and the carry forward of unused tax credits and unused tax losses can be utilized 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 recognized 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 utilized.

4. Significant accounting policies *(continued)*

(p) Taxation *(continued)*

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 utilized. Conversely, previously unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 utilized.

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

(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 recognized, 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 recognized 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 recognized as at the beginning and end of that period.

No expense is recognized 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 recognized 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.

4. Significant accounting policies *(continued)*

(q) Employee benefits *(continued)*

Share-based payment transactions *(continued)*

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.

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 the income statement 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 reporting period. All differences are recognized in profit or 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 recognized 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 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 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 recognized in equity relating to that particular foreign operation is recognized in the profit and loss.

For the purpose of the consolidated cash flow, 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 mot 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 service, 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 judgments and estimates

Critical accounting judgments 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 judgments, 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 recognized 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 judgments in applying accounting policies

The following are the critical judgments, 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 recognized in the financial statements.

(i) Revenue recognition

In making its judgment, 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 judgment 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 judgments and estimates *(continued)*

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

(a) Critical judgments 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 recognized 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 utilized, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognized. 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 realized, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilized. 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 utilization 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 utilized. 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 judgments and estimates *(continued)*

Critical accounting judgments 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 net gain/(loss) on financial assets at fair value through profit or loss

(a) Turnover

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

	2010	2009
	HK$	HK$
Sale of goods	**32,542,791**	15,729,422

The Group's turnover represents the net invoiced value of goods sold, after allowance for returns, trade discounts and sales related tax during the year.

(b) Other income

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

	2010	2009
	HK$	HK$
Write-back of other payables and accruals	**287,662**	54,432
Short-term loans waived	**–**	14,494,295
Bank interest income	**18,244**	2,123
Net exchange gains	**568,094**	66,580
Rental income	**16,132**	15,931
Others	**377,134**	184,892
	1,267,266	14,818,253

6. Turnover, other income and net gain/(loss) on financial assets at fair value through profit or loss *(continued)*

(c) Net gain/(loss) on financial assets at fair value through profit or loss

Gain on change in fair value of marketable securities

	2010	2009
	HK$	HK$
Net realized gain/(loss) on financial assets at fair value through profit or loss	**382,348**	(1,456,576)
Unrealized gain on financial assets at fair value through profit or loss	**289,855**	–
	672,203	(1,456,576)

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;

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

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

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 (2009: 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, net gain/loss on financial assets at fair value through profit or loss, impairment loss recognised in respect of property, plant and equipment, short-term loans waived, gain on disposal of subsidiaries, impairment losses on trade receivable 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 2010	Sapphire HK$	Optoelectronic HK$	Liquor HK$	Total for reportable segments HK$
Segment revenue	**26,536,945**	**4,343,612**	**1,662,234**	**32,542,791**
Segment result	**2,025,918**	**(2,268,815)**	**19,977**	**(222,920)**
Reconciliation:				
Total loss for reportable segments				**(222,920)**
Unallocated corporate income				**1,249,022**
Bank interest income				**18,244**
Gain on disposal of subsidiaries				**447,144**
Net gain on financial assets at fair value through profit or loss				**672,203**
Unallocated corporate expense				**(13,568,278)**
Impairment losses on trade receivables				**(245,710)**
Finance costs				**(29,507)**
Consolidated loss before taxation				**(11,679,802)**

For the year ended 31 December 2009	Sapphire HK$	Optoelectronic HK$	Liquor 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
Bank interest income				2,123
Unallocated corporate expense				(8,325,714)
Net loss on financial assets at fair value through profit or loss				(1,456,576)
Loss on disposal of property, plant and equipment				(124,965)
Impairment loss recognised in respect of property, plant and equipment				(1,680,000)
Finance costs				(189,967)
Consolidated loss before taxation				(3,030,906)

7. Segment information *(continued)*

(b) Segment assets and liabilities

As at 31 December 2010	**Sapphire**	**Optoelectronic**	**Liquor**	**Total for reportable segments**
	HK$	**HK$**	**HK$**	**HK$**
Segment assets	**16,786,983**	**5,261,470**	**503,044**	**22,551,497**
Elimination of inter-segment receivables				**(703,609)**
Unallocated assets				**20,667,415**
Consolidated assets				**42,515,303**
Segment liabilities	**(10,686,034)**	**(731,722)**	**(54,252)**	**(11,472,008)**
Elimination of inter-segment payables				**703,609**
Unallocated liabilities				**(12,631,610)**
Consolidated liabilities				**(23,400,009)**

As at 31 December 2009	Sapphire	Optoelectronic	Liquor	Total for reportable segments
	HK$	HK$	HK$	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)

7. Segment information *(continued)*

(c) Other segment information

For the year ended 31 December 2010	**Sapphire HK$**	**Optoelectronic HK$**	**Liquor HK$**	**Unallocated HK$**	**Total HK$**
Capital expenditure	**16,512**	**–**	**–**	**40,770**	**57,282**
Depreciation	**1,369,740**	**105,580**	**–**	**56,877**	**1,532,197**

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

(d) Geographical Information

The Group's operations are mainly located in the PRC (excluding Hong Kong).

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

	2010 HK$	2009 HK$
PRC	**3,428,700**	2,891,758
Hong Kong	**10,524,611**	4,049,785
Taiwan	**4,789,919**	1,479,072
Europe	**13,799,561**	7,308,807
	32,542,791	15,729,422

Non-current assets are mainly located in the PRC.

7. Segment information *(continued)*

(e) Information about major customers

The Group's customer base is diversified and includes only four customers (2009: three) with whom transactions have exceeded 10% of the group's revenues. In 2010 revenue from sales of synthetic sapphire watch crystals to these customers amounted to approximately HK$25,854,715 (2009: HK$9,593,000) 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 put in note 36.

8. Finance costs

	2010	2009
	HK$	HK$
Interest on:		
Convertible bonds	**–**	151,892
Other	**29,507**	38,075
	29,507	189,967

9. Loss before taxation

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

	2010	2009
	HK$	HK$
Amortization of prepaid land lease payments	**15,680**	15,485
Depreciation of property, plant and equipment	**1,532,197**	3,092,689
Impairment loss recognised in respect of property, plant and equipment	**–**	1,680,000
Impairment losses on trade receivables	**245,710**	–
Impairment losses on inventories	**298,855**	203,280
Loss on disposal of property, plant and equipment	**–**	124,965
Minimum lease payment under operating leases		
– Buildings	**750,530**	1,819,504
Auditors' remuneration		
– Audit services	**600,000**	500,000
– Other services	**567,000**	90,000
Staff costs (including directors' remuneration *(note 11)*):#		
Wages and salaries	**6,240,941**	5,535,509
Retirement scheme contributions	**102,616**	61,431

Of the total staff costs, HK$819,040 (2009: HK$817,229) was attributed to research and development activities of the Group.

10. Income tax expense

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

	2010	2009
	HK$	HK$
Current tax – Hong Kong Profits Tax		
Charge for the year	**4,386**	–
Current tax – PRC Enterprise Income Tax		
Charge for the year	**58,005**	76,013
Tax rebate	**(21,773)**	(25,425)
	36,232	50,588
	40,618	50,588
Deferred tax *(Note 28)*	**–**	–
Tax charge	**40,618**	50,588

Hong Kong profits tax has been provided for in the financial statements at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong in the year 2010.

PRC subsidiaries are subject to PRC Enterprise Income Tax at the rate of 25% (2009: 25%)

10. Income tax expense *(continued)*

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

	2010	2009
	HK$	HK$
Loss before taxation	**(11,679,802)**	(3,030,906)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(2,198,943)**	(659,091)
Tax effect of non-taxable income	**(76,923)**	(3,559,813)
Tax effect of non-deductible expenses	**1,219,879**	821,769
Tax effect of temporary difference not recognized	**277,721**	(410,586)
Tax benefit not recognized	**1,310,468**	3,883,734
Tax losses utilized from previous periods	**(469,811)**	–
Tax rebate	**(21,773)**	(25,425)
Tax expense	**40,618**	50,588

11. Directors' remuneration

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

	2010	2009
	HK$	HK$
Fees	**1,877,945**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**400,000**	1,462,065
Share-based payment expenses	**849,995**	–
Pension scheme contributions	**12,000**	3,000
	1,261,995	1,465,065
Total remuneration	**3,139,940**	1,465,065

11. Directors' remuneration *(continued)*

For the year ended 31 December 2010

	Appointed on	Resigned on	Salaries, allowances and benefits in kind HK$	Fees HK$	Employee share option benefits HK$	Pension scheme contributions HK$	Total remuneration HK$
Executive directors:							
Mr. Wong Pak Fai Philip	–	–	–	–	–	–	–
Mr. Chen Jun Nong	–	26 January 2010	–	–	–	–	–
Mr. Zhao Wen Tao	–	–	–	170,000	–	–	170,000
Mr. Chan Chung Keung Jackon	–	–	–	542,000	169,999	–	711,999
Mr. Gao Zhi Wei	–	15 April 2010	–	–	–	–	–
Mr. Mak Kai Chun Kevin	–	1 February 2010	–	20,000	–	–	20,000
Mr. Williamson Lam	–	1 February 2010	–	20,000	–	–	20,000
Mr. Chung Ming Tru Daniel	–	–	–	393,000	169,999	–	562,999
Mr. Wong Kwok Wai	–	–	–	393,000	169,999	–	562,999
Ms. Chan Yim Kum	5 January 2010	–	400,000	–	169,999	12,000	581,999
Ms. Tang Man Lai	30 June 2010	–	–	90,000	169,999	–	259,999
Mr. Lam Ping Cheung Andrew	29 November 2010	–	–	63,945	–	–	63,945
Independent non-executive directors:							
Mr. Liu Chun Ning Wilfred	–	–	–	–	–	–	–
Mr. Tsui Siu Hung	–	–	–	96,000	–	–	96,000
Mr. Tso Chip	–	–	–	–	–	–	–
Mr. Lee Tao Wai	–	–	–	90,000	–	–	90,000
			400,000	1,877,945	849,995	12,000	3,139,940

11. Directors' remuneration *(continued)*

For the year ended 31 December 2009

	Appointed on	Resigned on	Salaries, allowances and benefits in kind HK$	Fees HK$	Employee share option benefits HK$	Pension scheme contributions HK$	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
Independent non-executive directors:							
Mr. Wong Kwok Wai	–	–	128,000	–	–	–	128,000
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

There was an arrangement under which directors waived remuneration of HK$ 666,000 during the year ended 31 December 2010 (2009: Nil).

During the year ended 31 December 2010, 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 (2009: Nil)

12. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, four (2009: four) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The aggregate of the emoluments in respect of the other one (2009: one) individual is as follows:

	2010	2009
	HK$	HK$
Salaries and other emoluments	**300,873**	400,000
Share-based payment expense	**169,999**	–
Contributions to retirement benefits schemes	**8,000**	12,000
	478,872	412,000

The emolument of the other one (2009: one) with the highest emolument is within the following band:

	2010	2009
	HK$	HK$
Nil to HK$1,000,000	**1**	1

13. Loss attributable to equity shareholders of the Company

	2010	2009
	HK$	HK$
Amount of consolidated loss attributable to equity shareholders of the Company dealt with in the Company's financial statements	**(10,810,962)**	(8,266,291)
Impairment losses on amounts due from subsidiaries	**–**	(6,152,799)
Impairment losses on amounts due from subsidiaries written back	**2,434,000**	–
Company's loss for the year *(Note 31(b))*	**(8,376,962)**	(14,419,090)

The consolidated loss attributable to equity shareholders of the Company for the year ended 31 December 2010 includes a loss of HK$10,810,962 (2009: HK$8,266,291) which has been dealt with in the financial statements of the Company.

14. Dividend

The directors do not recommend the payment of any dividends to the shareholders of the Company for the year ended 31 December 2010 (2009: Nil).

15. Loss per share attributable to the equity shareholders of the Company

The basic loss per share is calculated based on the loss attributable to equity shareholders of the Company of HK$11,720,420 (2009: HK$3,081,494) and the weighted average of 95,514,456 (2009: 66,045,096 shares, as adjusted for the effect of share consolidation). The comparative figure of basic loss per share for the year ended 31 December 2009 had been re-calculated to reflect the effect of share consolidation taken place on 13 October 2010.

Diluted loss per share for the years ended 31 December 2010 and 31 December 2009 has not been disclosed as the potential shares arising from the exercise the Company's share options 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	Leasehold improvements	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$	HK$
At cost or valuation:						
Balance 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 and at 1 January 2010	4,500,000	2,032,024	98,921,569	3,868,444	729,250	110,051,287
Additions	–	–	5,592	51,690	–	57,282
Exchange realignment	–	9,936	3,444,453	126,466	26,580	3,607,435
Balance at 31 December 2010	4,500,000	2,041,960	102,371,614	4,046,600	755,830	113,716,004
Accumulated depreciation and impairment:						
Balance 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 and at 1 January 2010	900,000	1,900,046	94,091,820	3,733,274	654,256	101,279,396
Charge for the year	225,000	44,448	1,115,905	70,979	75,865	1,532,197
Exchange realignment	–	6,624	3,406,711	125,948	25,709	3,564,992
Balance at 31 December 2010	1,125,000	1,951,118	98,614,436	3,930,201	755,830	106,376,585

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

The Group:

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Net carrying amount:						
As at 31 December 2010	3,375,000	90,842	3,757,178	116,399	–	7,339,419
As at 31 December 2009	3,600,000	131,978	4,829,749	135,170	74,994	8,771,891
Analysis of cost or valuation:						
At 31 December 2010						
At cost	–	2,041,960	102,371,614	4,046,600	755,830	109,216,004
At valuation	4,500,000	–	–	–	–	4,500,000
	4,500,000	2,041,960	102,371,614	4,046,600	755,830	113,716,004
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

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 on the depreciated replacement cost approach basis.

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

The Company:

	Leasehold Improvements HK$	Furniture, fixture and equipment HK$	Total HK$
At cost or valuation:			
Balance 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 and at 1 January 2010	19,230	167,511	186,741
Additions	–	40,770	40,770
Balance at 31 December 2010	19,230	208,281	227,511
Accumulated depreciation and impairment:			
Balance 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 and at 1 January 2010	4,808	58,290	63,098
Charge for the year	4,807	52,070	56,877
Balance at 31 December 2010	9,615	110,360	119,975
Net carrying amount:			
As at 31 December 2010	9,615	97,921	107,536
As at 31 December 2009	14,422	109,221	123,643

17. Assets under construction

	Plant and Machinery HK$
Cost:	
At 1 January 2009	–
Additions	39,233
Transfers to Property, plant and equipment *(Note 16)*	(39,233)
At 31 December 2009 and at 1 January 2010 and 31 December 2010	–

18. Prepaid land lease payments

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

	2010 HK$	2009 HK$
Carrying amount at 1 January	**541,864**	557,428
Amortization during the year	**(15,680)**	(15,485)
Exchange realignment	**19,366**	(79)
Carrying amount at 31 December	**545,550**	541,864

	2010 HK$	2009 HK$
Analyzed for reporting purposes as:		
Current portion	**15,680**	15,485
Non-current portion	**529,870**	526,379
	545,550	541,864

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	
	2010	2009
	HK$	HK$
Unlisted shares, at cost	**25,078,024**	25,000,008
Amount due from subsidiaries	**59,283,253**	59,539,744
	84,361,277	84,539,752
Impairment losses on subsidiaries	**(79,086,945)**	(84,473,744)
	5,274,332	66,008

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. Inventories

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Raw Materials	**135,931**	112,823	**–**	–
Work in progress	**3,146,162**	2,927,840	**–**	–
Finished goods	**2,486,415**	3,862,314	**–**	–
	5,768,508	6,902,977	**–**	–

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

21. Trade and other receivables

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Trade receivables	**6,278,825**	2,986,794	**–**	–
Impairment	**(989,651)**	(922,226)	**–**	–
	5,289,174	2,064,568	**–**	–
Other receivables	**3,332,720**	106,208	**17,912**	7,904
Deposits and prepayments	**3,894,909**	80,171	**3,870,534**	10,550
	12,516,803	2,250,947	**3,888,446**	18,454

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 reviewed 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	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Current	**3,214,414**	934,784	**–**	–
31 – 60 Days	**318,337**	340,991	**–**	–
61 – 90 Days	**197,299**	215,681	**–**	–
Over 90 Days	**1,559,124**	573,112	**–**	–
	5,289,174	2,064,568	**–**	–

21. 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	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Neither past due nor impaired	**3,622,712**	1,002,194	**–**	–
Less than 1 month past due	**80,262**	142,552	**–**	–
1 to 3 months (or other appropriate time bands) past due	**1,420,450**	862,677	**–**	–
Over 90 Days	**165,750**	57,145	**–**	–
	5,289,174	2,064,568	**–**	–

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.

22. Financial assets at fair value through profit or loss

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Financial assets at fair value through profit or loss:				
– Equity securities listed in Hong Kong at fair value	**12,819,380**	–	**12,819,380**	–

Note (i) At 31 December 2010, the carrying amounts of interests in each of the following companies exceed 10% of total assets of the Company and the Group:

22. Financial assets at fair value through profit or loss *(continued)*

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Proportion of the issued shares
Minmetals Resources Limited	Hong Kong	Trading of Non-ferrous metals, the pollution of aluminium and the manufacturing and distribution of aluminium and copper products	1,516,000 ordinary shares	0.05%
China Financial Leasing Group Limited	Cayman Islands	Investments in a diversified portfolio of investments in listed securities in Hong Kong and overseas. Also focuses on the investment in the financial leasing business in the PRC.	37,485,000 ordinary shares	5.37%

Note (ii) The amount of HK$5,480,062 included in the above carrying amount financial assets at fair value through profit or loss was pledged as a collatoral for securities trading.

23. Cash and bank balances

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**3,525,643**	781,813	**831,511**	218,201

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$407,534 (2009: HK$ 214,975). 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 authorized to conduct foreign exchange business.

24. Trade and other payables

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Trade payables	**5,963,338**	2,606,062	**–**	–
Other payables and accrued charges	**7,966,506**	3,900,087	**5,952,165**	1,608,224
	13,929,844	6,506,149	**5,952,165**	1,608,224

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	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Current	**1,942,417**	194,907	**–**	–
31 – 60 Days	**890,124**	41,225	**–**	–
61 – 90 Days	**2,108,042**	27,941	**–**	–
Over 90 Days	**1,022,755**	2,341,989	**–**	–
	5,963,338	2,606,062	**–**	–

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

25. Amount due to a director

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

26. Short-term loans

	Group		Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Repayable on demand	**2,830,885**	–	**–**	–
Repayable on 30 June 2011	**4,520,000**	–	**4,520,000**	–
Repayable on 31 December 2010	**–**	1,610,477	**–**	–
	7,350,885	1,610,477	**4,520,000**	–

Short-term loans are unsecured and interest fee.

27. Long-term loans

Long-term loans were unsecured and non-interest bearing. The lenders had 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.

28. Deferred tax

At 31 December 2010, the Group has unused tax losses of approximately HK$50,324,138 (2009: HK$41,471,000) available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2010, the Group has deductible temporary differences of approximately HK$41,417,769 (2009: HK$40,930,000). No deferred tax asset has been recognized 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 utilized.

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

29. Share capital

	Number of shares		Share capital	
	2010	2009	**2010**	2009
			HK$	HK$
Authorized:				
Ordinary shares of HK$0.05				
(2009:HK$0.001) each *(note a)*	**20,000,000,000**	1,000,000,000,000	**1,000,000,000**	1,000,000,000
Issued and fully paid:				
At the beginning of year	**4,240,000,000**	299,000,000	**4,240,000**	299,000
Conversion of convertible bonds *(note b)*	**–**	761,000,000	**–**	761,000
Bonus issue *(note c)*	**–**	3,180,000,000	**–**	3,180,000
Open offer *(note d)*	**1,995,294,112**	–	**1,995,294**	–
Share consolidation *(note a)*	**(6,110,588,230)**	–	**–**	–
Placing *(note e)*	**16,960,000**	–	**848,000**	–
At the end of year	**141,665,882**	4,240,000,000	**7,083,294**	4,240,000

29. Share capital *(continued)*

Note (a): Pursuant to the special resolution passed on 6 October 2010, the shareholders of the Company approved the shares consolidation which involved:

(i) every fifty issued and unissued shares of HK$0.001 each be consolidated into one share of HK$0.05 (the "Consolidated Share(s)") in the share capital of the Company (the "Share Consolidation");

(ii) all of the Consolidated Shares in issue shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the memorandum of association and bye-laws of the Company;

(iii) all fractional Consolidated Shares shall be disregarded and not be issued to the shareholders of the Company and any fractional entitlements to the issued Consolidated Shares will be aggregated and if possible, sold and the net proceeds shall be retained for the benefit of the Company; and

(iv) any director of the Company be and is hereby authorised generally to do all such acts and things and to sign and execute all documents and deeds as he/she may in his/her absolute discretion deem necessary, desirable or appropriate to give effect to and implement the Share Consolidation."

Note (b): During the year ended 31 December 2009, the bondholders have converted 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.

Note (c): Pursuant to the announcement issued on 27 March 2009, a 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 were set out in the circular dated 27 March 2009.

Note (d): According to the prospectus issued on 17 September 2010, an open offer has been made on the basis of eight offer shares for every seventeen shares held as at the close of business on the record date.

Details of the open offer were set out in the prospectus dated 17 September 2010 and the announcement dated 11 October 2010 respectively.

Note (e): Pursuant to the announcement issued on 15 November 2010, the Placing Agreement was entered into between the Company and the placing agent, pursuant to which the Company has appointed the placing agent to procure altogether not less than six placees, on a best effort basis, for subscribing up to an aggregate of 16,960,000 placing shares at HK$0.62 per placing share. All money for the placing were received by the Company on 22 November 2010.

Details of the placing were set out in the announcement dated 15 November 2010.

30. Share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to resolution passed on 21 July 2001 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 21 July 2011. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe in the Company. 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.

At 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 8,499,948 (2009: Nil), representing 6% (2009: Nil) of the shares of the Company in issue at that date. 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.

No consideration is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the second anniversary of the date grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of option are as follows:

Option type	Date of grant	Exercisable period	Exercise price	Fair value at grant date
2010	23/11/2010	23/11/2010 to 21/07/2011	HK$0.772	HK$0.76

In accordance with the terms of the Scheme, options granted during the financial year ended 31 December 2010, vested at the date of grant.

30. Share option scheme *(continued)*

The fair value of the share options is determined using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral consideration. Expected volatility is based on the historical share price volatility over the most recent period since the latest resumption of trading of the Company's shares on 14 October 2010 that reflect the assumption that the historical volatility is indicative of future trends.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

	Option type 2010
Grant date share closing price	HK$0.76
Exercise price	HK$0.772
Expected volatility	74.414%
Dividend yield	0%
Option life	8 months
Risk-free interest rate	0.293%

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2010:

					Number of options				
Participant	**Date of grant**	**Exercise price** HK$	**Exercisable period**	**At 1/1/2010**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**At 31/12/2010**
Directors	23/11/2010	0.772	23/11/2010 – 21/7/2011	–	7,083,290	–	–	–	7,083,290
Employees	23/11/2010	0.772	23/11/2010 – 21/7/2011	–	1,416,658	–	–	–	1,416,658
				–	8,499,948	–	–	–	8,499,948

31. Reserves

(a) The Group

	Share premium	Exchange reserve	Share-based payment reserve	Convertible bonds reserve	Accumulated losses	Total
	HK$	HK$	HK$	HK$	HK$	HK$
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	7,216,864	–	–	(3,558,910)	–	3,657,954
Bonus issues *(note 29)*	(3,180,000)	–	–	–	–	(3,180,000)
At 31 December 2009 and at 1 January 2010	7,984,611	1,504,637	–	–	(13,268,283)	(3,779,035)
Loss for the year	–	–	–	–	(11,720,420)	(11,720,420)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	235,957	–	–	–	235,957
Total comprehensive income for the year	–	235,957	–	–	(11,720,420)	(11,484,463)
Issue of shares *(note 29)*	26,275,504	–	–	–	–	26,275,504
Recognition of equity-settled share-based payment *(note 30)*	–	–	1,019,994	–	–	1,019,994
At 31 December 2010	34,260,115	1,740,594	1,019,994	–	(24,988,703)	12,032,000

31. Reserves *(continued)*

(b) The Company

	Share premium HK$	Convertible bonds reserve HK$	Share-based payment reserve HK$	Accumulated losses HK$	Total HK$
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 29)*	(3,180,000)	–	–	–	(3,180,000)
At 31 December 2009 and at 1 January 2010	7,984,611	–	–	(21,537,401)	(13,552,790)
Loss for the year	–	–	–	(8,376,962)	(8,376,962)
Total comprehensive income	–	–	–	(8,376,962)	(8,376,962)
Issue of shares *(note 29)*	26,275,504	–	–	–	26,275,504
Recognition of equity-settled share-based payment *(note 30)*	–	–	1,019,994	–	1,019,994
At 31 December 2010	34,260,115	–	1,019,994	(29,914,363)	5,365,746

32. 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) Amount due to a director

	The Group	
	2010	2009
	HK$	HK$
Amount due to a director *(note 25)*	**–**	50,000

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

	The Group	
	2010	2009
	HK$	HK$
Short-term benefits	**3,127,940**	1,862,065
Post-employment benefit	**12,000**	15,000
	3,139,940	1,877,065

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

(c) Transactions with entities where director is interested therein

	The Group	
	2010	2009
	HK$	HK$
Legal and professional fee	**467,270**	–
Deposit paid	**32,730**	–
	500,000	–

The above balances were incurred with a firm of Solicitor, Messrs. Lam & Co, for the purpose of legal advisory services during the year ended 31 December 2010. Mr. Lam Ping Cheung Andrew is a partner therein.

33. 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 follow:

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Premises				
Within 1 year	**680,760**	3,163,611	**680,760**	255,285
After 1 year but within 5 years	**283,650**	4,239,324	**283,650**	–
	964,410	7,402,935	**964,410**	255,285

(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 follow:

	2010	2009
	HK$	HK$
Capital contribution to		
A joint venture company	**4,708,800**	4,542,000
Proposed acquisition of subsidiaries	**235,440**	–
	4,944,240	4,542,000

34. Litigation

On 25 November 2010, the Company received a statutory demand notice from a solicitors firm which represented itself as acting for iReady 360 Media Networks Limited ("iReady") demanding the repayment of loan of HK$3,350,000. iReady had also filed a winding-up petition to High Court based on an alleged debt as above mentioned.

The Company has applied for and obtained an injunction against iReady for carrying out a winding-up action against the Company on 16 December 2010, a sum of HK$3,350,000 was paid into the Court as a condition for the continuing of the said injunction order obtained against iReady.

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

35. Events after the reporting period

(a) On 30 December 2010, the Company entered into the warrant subscription agreement with a subscriber in connection with the warrant subscription, and amended by a supplemental agreement dated 14 February 2011, Equity Reward Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Lam Ping Cheung Andrew, the chairman of the Company and an executive Director, the Company executed the supplemental agreement to vary and amend the terms and conditions of the existing agreement.

Pursuant to the warrant subscription, the Company has conditionally agreed to issue and allot to the subscriber. Accordingly, the subscriber is a connected person of the Company under the GEM Listing Rules. The Subscriber has conditionally agreed to subscribe a total of 28,000,000 Warrants at the Warrant Issue Price of HK$0.05 per Warrant. The gross proceeds from the warrant subscription of HK$1.4 million will be satisfied by payment of cash by the subscriber at completion of the warrant subscription.

Completion of the warrant subscription is conditional on, among the other matters, the fulfillment of the conditions on or before 31 March 2011.

Details of the above were set out in the Company's announcement dated 30 December 2010 and the Company's circular dated 21 February 2011.

(b) Existing Share Option Scheme was adopted by the Company on 21 July 2001 and will be terminated on the date on which the New Share Option Scheme comes into effect upon the fulfillment of the conditions. Upon termination of the Existing Share Option Scheme, no further Options will be granted thereunder, but the provisions of the Existing Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of Options (to the extent not already exercised) granted prior to its termination or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme. Options (to be extent not already exercise) granted prior to such termination will continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

Details of the above were set out in the Company's circular dated 21 February 2011.

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

Details of the above were set out in the Company's announcement dated 17 March 2011.

36. Financial instrument

(a) Categories of financial instruments

	2010 HK$	2009 HK$
Financial assets		
Fair value through profit or loss		
Marketable securities	**12,819,380**	–
Loans and receivables		
Trade and other receivables	**12,516,803**	2,250,947
Cash and bank balances	**3,525,643**	781,813
	16,042,446	3,032,760
Financial liabilities at amortized cost		
Trade and other payables	**13,929,844**	6,506,149
Short-term loans	**7,350,885**	1,610,477
Amount due to a director	**–**	50,000
Long-term loans	**–**	8,535,172
	21,280,729	16,701,798

(b) Financial risk management and policies

The Group's major financial instruments include trade and other receivables, cash and bank balances, trade and other payables, 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.

36. Financial instrument *(continued)*

(b) Financial risk management and policies

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**	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
RMB	**4,491,882**	1,026,395	**1,156,532**	1,026,904
JYP	**5,809**	5,809	**–**	23,198
CHF	**1,454,387**	223,994	**–**	164,425
EUR	**3,990**	3,990	**562,540**	1,774,721

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.

	2010	2009
	HK$	HK$
RMB	**27,517**	(1,123)
JYP	**48**	(869)
CHF	**11,999**	2,978
EUR	**(27,927)**	(87,037)

36. Financial instrument *(continued)*

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

Interest rate 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 2010, 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 recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize 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 13% (2009: 3.9%) and 73.9% (2009: 35.2%) 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.

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.

36. Financial instrument *(continued)*

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

Liquidity risk management *(continued)*

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.

	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 December 2010 HK$
2010						
Non-derivative financial assets						
Trade and other receivables	ranged from 12% to 15%	12,311,310	–	205,493	12,516,803	12,516,803
Cash and bank balances	–	3,525,643	–	–	3,525,643	3,525,643
	–	15,836,953	–	205,493	16,042,446	16,042,446
Non-derivative financial liabilities						
Trade and other payables	–	13,929,844	–	–	13,929,844	13,929,844
Short-term loans	–	2,830,885	4,520,000	–	7,350,885	7,350,885
	–	16,760,729	4,520,000	–	21,280,729	21,280,729

36. 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 December 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

(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 amortized cost in the financial statements approximate their fair values.

36. Financial instrument *(continued)*

(d) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value at the reporting date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

As at 31 December 2010, the Group held the following financial instruments measured at faire value:

Financial assets	**Level 1**	**Level 2**	**Level 3**
	HK$	HK$	HK$
Financial assets at FVFTPL			
– Equity securities listed in Hong Kong	12,819,380	–	–
Total	12,819,380	–	–

During the year ended 31 December 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

37. 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 2010 and 2009.

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	
	2010	2009
	HK$	HK$
Trade and other payables *(note 24)*	**13,929,844**	6,506,149
Short-term loans *(note 26)*	**7,350,885**	1,610,477
Amount due to a director *(note 25)*	**–**	50,000
Long-term loans *(note 27)*	**–**	8,535,172
Less: Cash and bank balance *(note 23)*	**(3,525,643)**	(781,813)
Net debt	**17,755,086**	15,919,985
Equity attributable to the equity shareholders of the company	**19,115,294**	460,965
Total capital	**19,115,294**	460,965
Capital and net debt	**36,870,380**	16,380,950
Gearing ratio	**48.2%**	97.2%

38. Disposal of subsidiaries

On 28 January 2010, the Group disposed of Seamless Green China (BVI) Limited and its subsidiary.

Consideration received

	2010	2009
	HK$	HK$
Consideration received in cash and cash equivalent	**8**	–
Total consideration received	**8**	–

Analysis of assets and liabilities over which control was lost

	28 January 2010
	HK$
Current Assets	
Cash and bank balances	4,268
Current Liabilities	
Other payables	(47,104)
Amount due to shareholders	(404,300)
Net liabilities of disposal group	(447,136)

Gain on disposal of subsidiaries

	2010
	HK$
Consideration received and receivable	8
Net liabilities disposed of	447,136
Gain on disposal	447,144

Net cash outflow on disposal of subsidiaries

	2010	2009
	HK$	HK$
Consideration received in cash and cash equivalents	**8**	–
Less: cash and cash equivalent balances disposed of	**(4,268)**	–
	(4,260)	–

39. Particulars of principal subsidiaries

Particulars of the subsidiaries of the Company at 31 December 2010 and 2009 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		
			2010	2009	**2010**	2009	
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%	Dormant
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

39. Particulars of principal subsidiaries *(continued)*

Particulars of the subsidiaries of the Company at 31 December 2010 and 2009 are as follows: *(continued)*

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		
			2010	2009	**2010**	2009	
Seamless Green China (BVI) Limited[*]	BVI	US$1	**–**	100%	**–**	–	Investing Holding
Seamless Green China (HK) Limited[*]	Hong Kong	HK$1	**–**	–	**–**	100%	Dormant
Billion Sky Investment Limited	BVI	US$1	**100%**	–	**–**	–	Investing Holding
Rich Point International Limited	Hong Kong	HK$1	**–**	–	**100%**	–	Trading of wine
Rich Gain International Investment Limited	Hong Kong	HK$1	**100%**	–	**–**	–	Dormant
Good Faith Financial Group Limited	BVI	US$1	**100%**	–	**–**	–	Investing Holding
Good Faith (BVI) Limited	BVI	US$1	**–**	–	**100%**	–	Investing Holding
Good Faith Securities Company Limited	Hong Kong	HK$1	**–**	–	**100%**	–	Dormant
Good Return (BVI) Limited	BVI	US$1	**–**	–	**100%**	–	Dormant
Boom Creation Limited	BVI	US$10,000	**100%**	–	**–**	–	Investing Holding
Chances (B.V.I.) Holdings Limited	BVI	US$1	**100%**	–	**–**	–	Investing Holding
Chances (H.K.) Holdings Limited	Hong Kong	HK$1	**–**	–	**100%**	–	Investing Holding

(#) *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 authorized for issue by the board of directors on 23 March 2011.

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				
	2010	2009	2008	2007	2006
Results	**HK$**	HK$	HK$	HK$	HK$
Loss from continued operations	**(11,720,420)**	(3,081,494)	(7,283,932)	(3,748,419)	(4,981,060)
Profit from discontinued operation	**–**	–	–	–	408,260
Loss attributable to shareholders	**(11,720,420)**	(3,081,494)	(7,283,932)	(3,748,419)	(4,572,800)

	2010	2009	2008	2007	2006
Assets and liabilities	**HK$**	HK$	HK$	HK$	HK$
Total assets	**42,515,303**	19,249,492	23,194,699	29,876,473	24,262,124
Total liabilities	**(23,400,009)**	(18,788,527)	(22,478,250)	(28,313,280)	(20,215,032)
Shareholders' equity	**19,115,294**	460,965	716,449	1,563,193	4,047,092