



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



Interim Report 2011



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This report, for which the directors of Seamless Green China (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “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.



HIGHLIGHTS

1. The Group has recorded a total turnover of approximately HK\$25,877,000 for the six months ended 30th June 2011.
2. The Group has recorded a net loss attributable to shareholders for the six months ended 30th June 2011 of approximately HK\$7,296,000, representing a basic loss per share of HK\$4.50 cents.
3. The Directors do not recommend the payment of a dividend for the six months ended 30th June 2011.

FINANCIAL RESULTS (UNAUDITED)

The board of directors (the “Board”) of Seamless Green China (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30th June 2011, together with the comparative unaudited figures for the corresponding periods in 2010 (collectively the “Relevant Periods”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<i>Notes</i>	Three months ended 30th June		Six months ended 30th June	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	2	13,202	8,559	25,877	16,754
Cost of sales		<u>(9,542)</u>	<u>(5,050)</u>	<u>(20,289)</u>	<u>(10,855)</u>
Gross profit		3,660	3,509	5,588	5,899
Other revenue	2	1,489	10	2,291	509
Net loss on financial assets at fair value through profit or loss		-	-	(391)	-
Operating expenses:					
Distribution costs		(645)	(841)	(1,031)	(863)
Administrative and other operating expenses		<u>(5,993)</u>	<u>(2,963)</u>	<u>(13,718)</u>	<u>(5,747)</u>
Loss from operation		(1,489)	(285)	(7,261)	(202)
Finance costs		-	-	(27)	-



	<i>Notes</i>	Three months ended 30th June		Six months ended 30th June	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before taxation	3	(1,489)	(285)	(7,288)	(202)
Income tax expense	4	(6)	–	(8)	–
Loss for the period		(1,495)	(285)	(7,296)	(202)
Other comprehensive income:					
Exchange differences on translating foreign operations		130	1,035	57	992
Total comprehensive (expense)/income for the period		<u>(1,365)</u>	<u>750</u>	<u>(7,239)</u>	<u>790</u>
Loss attributable to owners of the Company		<u>(1,495)</u>	<u>(285)</u>	<u>(7,296)</u>	<u>(202)</u>
Total comprehensive (expense)/income attributable to owners of the Company		<u>(1,365)</u>	<u>750</u>	<u>(7,239)</u>	<u>790</u>
Loss per share attributable to the owners of the Company					
Basic	6	<u>(0.92) cents</u>	<u>(0.34) cents</u>	<u>(4.50) cents</u>	<u>(0.24) cents</u>
Diluted	6	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Non-current assets			
Property, plant and equipment	7	11,111	7,339
Prepaid land lease payments		<u>648</u>	<u>530</u>
		11,759	7,869
Current assets			
Prepaid land lease payments		19	16
Inventories		7,774	5,768
Trade receivables	8	7,966	5,289
Prepayments, deposits and other receivables		21,887	7,228
Financial assets at fair value through profit or loss		–	12,819
Cash and bank balances		<u>55,719</u>	<u>3,526</u>
		93,365	34,646
Current liabilities			
Trade payables	9	7,465	5,963
Other payables and accruals		1,965	7,967
Tax payable		2,142	2,119
Short-term loans		<u>5,880</u>	<u>7,351</u>
		17,452	23,400
Net current assets		<u>75,913</u>	<u>11,246</u>
NET ASSETS		<u>87,672</u>	<u>19,115</u>
CAPITAL AND RESERVES			
Share capital	10	10,552	7,083
Reserves		<u>77,120</u>	<u>12,032</u>
TOTAL EQUITY		<u>87,672</u>	<u>19,115</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2011

	Six months ended	
	30th June	
	2011	2010
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(16,569)	(1,573)
Taxation paid	–	(38)
Net cash outflow from investing activities	(4,057)	–
Net cash inflow from financing activities	73,009	4,602
	<hr/>	<hr/>
Net increase in cash and cash equivalents	52,383	2,991
Cash and cash equivalent at 1st January	3,526	782
Effect of foreign exchanges, net	(190)	–
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	<u>55,719</u>	<u>3,773</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<u>55,719</u>	<u>3,773</u>
	<hr/>	<hr/>
	<u>55,719</u>	<u>3,773</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2011

	Share capital	Share premium	Exchange reserve	Share based payment reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2011	7,083	34,260	1,741	1,020	(24,989)	19,115
Total comprehensive income/ (expense) for the period	–	–	57	–	(7,296)	(7,239)
Issue of shares	3,150	65,441	–	–	–	68,591
Recognition of equity-settled share-based payments	–	–	–	1,316	–	1,316
Options exercised/lapsed	319	5,570	–	(1,792)	1,792	5,889
At 30th June 2011	<u>10,552</u>	<u>105,271</u>	<u>1,798</u>	<u>544</u>	<u>(30,493)</u>	<u>87,672</u>
At 1st January 2010	4,240	7,985	1,504	–	(13,268)	461
Total comprehensive income/ (expense) for the period	–	–	992	–	(202)	790
At 30th June 2010	<u>4,240</u>	<u>7,985</u>	<u>2,496</u>	<u>–</u>	<u>(13,470)</u>	<u>1,251</u>



NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual accounts for the year ended 31st December 2010. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1st January, 2011. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group's accounting policies.

The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee with the assistance from the auditors.

2. Segments 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.

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 period (2010: Nil).

Segment result represents the profit or loss attributable to each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, loss on disposal of subsidiaries, gain or loss on trading marketable securities and finance costs.

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

Six months ended 30th June 2011 (unaudited)

	Synthetic sapphire watch crystals HK\$'000	Optoelectronic products HK\$'000	Liquor HK\$'000	Fashion HK\$'000	Consolidated HK\$'000
Segment revenue	<u>19,383</u>	<u>3,010</u>	<u>3,443</u>	<u>41</u>	<u>25,877</u>
Segment results	<u>4,019</u>	<u>543</u>	<u>50</u>	<u>(610)</u>	4,002
Reconciliation:					
Total profit for reportable segments					4,002
Unallocated corporate income					279
Interest income					1
Net loss on financial assets at fair value through profit or loss					(391)
Unallocated corporate expenses					(11,152)
Finance costs					(27)
Loss before taxation					<u>(7,288)</u>



Six months ended 30th June 2010 (unaudited)

	Synthetic sapphire watch crystals HK\$'000	Optoelectronic products HK\$'000	Liquor HK\$'000	Fashion HK\$'000	Consolidated HK\$'000
Segment revenue	<u>13,985</u>	<u>2,769</u>	<u>-</u>	<u>-</u>	<u>16,754</u>
Segment results	<u>4,173</u>	<u>(1,021)</u>	<u>-</u>	<u>-</u>	<u>3,152</u>
Reconciliation:					
Total profit for reportable segments					3,152
Unallocated corporate income					52
Gain on disposal of subsidiaries					447
Unallocated corporate expenses					(3,853)
Finance costs					-
Loss before taxation					<u>(202)</u>

	Synthetic sapphire watch crystals HK\$'000	Optoelectronic products HK\$'000	Liquor HK\$'000	Fashion HK\$'000	Total for reportable segments HK\$'000
As at 30th June 2011 (unaudited)					
Segment assets	<u>19,546</u>	<u>6,161</u>	<u>6,209</u>	<u>1,900</u>	<u>33,816</u>
Unallocated assets					<u>71,308</u>
Consolidated assets					<u>105,124</u>
As at 31st December 2010 (audited)					
Segment assets	<u>16,787</u>	<u>5,261</u>	<u>503</u>	<u>-</u>	<u>22,551</u>
Elimination of inter-segment payable					(704)
Unallocated assets					<u>20,668</u>
Consolidated assets					<u>42,515</u>

3. Loss before taxation (unaudited)

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

	For the six months ended 30th June	
	2011	2010
	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	8	36
Depreciation of property, plant and equipment	403	1,681
Interest on borrowings	27	–
Share-based payments	1,316	–
	<u>1,754</u>	<u>1,717</u>

4. Income tax expense (unaudited)

- (a) The amount of taxation charged to the condensed consolidated statement of comprehensive income (unaudited) represents:

		For the six months ended 30th June	
		2011	2010
	<i>Notes</i>	HK\$'000	HK\$'000
Hong Kong profit tax	<i>(i)</i>	8	–
Overseas taxation	<i>(ii)</i>	–	–
		<u>8</u>	<u>–</u>

Notes:

- (i) Hong Kong profits tax has been provided for in the financial statements at the rate of 16.5% (2010: Nil) on the estimated assessable profits arising in Hong Kong in the period.
- (ii) Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period.
- (b) There are no material unrecognized deferred tax assets and liabilities for the period.



5. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2011 (2010: Nil).

6. Loss per share

The calculation of basic loss per share for the 6 months ended 30th June 2011 is based on the Group's loss attributable to owners of the Company for the period of approximately HK\$7,296,000 (2010: HK\$202,000) and on the weighted average number of 162,137,130 (2010: 84,800,000 shares, as adjusted for the effect of share consolidation shares) shares. The comparative figure of basic loss per share for the six months ended 30th June 2010 had been re-calculated to reflect the effect of share consolidation taken place on 13th October 2010.

Diluted loss per share for the 6 months ended 30th June 2011 and 6 months ended 30th June 2010 has not been disclosed as the potential shares arising from the exercise of the Company's outstanding share options and warrants would decrease in loss per share of the Group for the period and is regarded as anti-dilutive.

7. Property, plant and equipment

	HK\$'000
As at 31st December 2010 (audited)	
Opening net book amount 1st January 2010	8,772
Additions	57
Depreciation	(1,532)
Exchange realignment	42
	<hr/>
Closing net book amount as at 31st December 2010	<u>7,339</u>
As at 30th June 2011 (unaudited)	
Opening net book amount 1st January 2011	7,339
Additions	4,057
Depreciation	(403)
Exchange realignment	118
	<hr/>
Closing net book amount as at 30th June 2011	<u>11,111</u>



8. Trade receivables

The ageing analysis of the trade receivables at reporting date is as follows:

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Current	1,665	3,215
31-60 days	3,805	318
61-90 days	413	197
Over 90 days	2,083	1,559
	<u>7,966</u>	<u>5,289</u>

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

9. Trade payables

The ageing analysis of the trade payables at reporting date is as follows:

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Current	2,616	1,942
31-60 days	2,233	890
61-90 days	2,420	2,108
Over 90 days	196	1,023
	<u>7,465</u>	<u>5,963</u>



10. Share capital

	Number of shares		Share capital	
	Unaudited 30th June 2011	Audited 31st December 2010	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Authorized:				
Ordinary shares of HK\$0.05	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At the beginning of period/year	141,665,882	4,240,000,000	7,083	4,240
Option exercised	6,383,290	–	319	–
Open offer	–	1,995,294,112	–	1,995
Share consolidation	–	(6,110,588,230)	–	–
Placing	<u>63,000,000</u>	<u>16,960,000</u>	<u>3,150</u>	<u>848</u>
At the end of period/year	<u>211,049,172</u>	<u>141,665,882</u>	<u>10,552</u>	<u>7,083</u>



11. Commitments

(a) Capital commitments

At 30th June 2011, the Group had capital commitments contracted but not provided for in the financial statements as follows:

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Capital contribution to a joint venture company	4,816	4,709
Proposed acquisition of subsidiaries	241	235
	<u>5,057</u>	<u>4,944</u>

(b) Commitments under operating leases

At 30th June 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Within one year	1,696	681
In the second to fifth year inclusive	1,486	283
	<u>3,182</u>	<u>964</u>



12. 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:

Transaction with entities where a director is interested therein

	Six months ended 30th June	
	2011	2010
	HK\$'000	HK\$'000
Purchase of land and buildings	<u>3,550</u>	<u>–</u>

The above transactions were entered into with companies controlled by Mr Lam Ping Cheung Andrew a director and former chairman of the board. Details of the above transactions were set out in the Company's announcement dated 6th May 2011.

13. Contingent liabilities

At 30th June 2011, the Group had no material contingent liabilities (31st December 2010: Nil).

14. Event after the reporting period

On 1st April 2011, the Company entered into an agreement, to acquire the entire issued share capital of Arnda Semiconductor Limited and the Sale Loan at the total consideration of HK\$ 11,100,000.

The above transaction was completed on 25th July 2011. Details of the transaction were set out in the Company's announcement dated 6th April 2011.

On 28th April 2011, the Company entered into a memorandum of understanding ("MOU") with Goodeve Holdings Limited in relation to a possible acquisition of 51% of the issued share capital of Rosy Sion Holdings Limited. Details of the possible acquisition were set out in the Company's announcement dated 28th April 2011.

Since the parties to the MOU were unable to reach a consensus on the terms of the formal agreement within 3 months from the date of the MOU, the MOU was terminated on 28th July 2011.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2011 (2010: Nil).

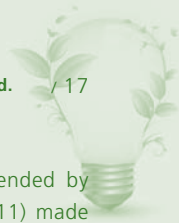
BUSINESS REVIEW

Total turnover of the Group for the six months ended 30th June 2011 amounted to approximately HK\$25,877,000, representing a 54% increase from that of approximately HK\$16,754,000 generated in the corresponding period in 2010. Loss attributable to owners of the Company for the six months ended 30th June 2011 was approximately HK\$7,296,000 while that of the corresponding period in 2010 was approximately loss of HK\$202,000.

During the period, the principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals, optoelectronics products, trading of liquor products and wholesaling of fashions.

During the period, the Group recorded a loss on disposal of financial assets at fair value through profit or loss amounted to HK\$391,000 (2010: Nil)

In order to improve and develop the business of replacement of energy efficient streets lamps business, the Company has granted a loan of RMB2.5 million (approximately HK\$2.9 million) to Bright City Corporation Limited (“Bright City”) (a company incorporated in Hong Kong which is an independent third party) pursuant to the SPA (as defined below) and the loan agreement dated 2 December 2010 (as amended by a supplemental agreement dated 20 December 2010) made between, inter alia, Boom Creation Limited (“Boom Creation”) (a wholly-owned subsidiary of the Company) and Bright City. The loan should be used as working capital of replacement of energy efficient streets lamps business. The loan was expected to be repaid to the Company by the end of 2011.



Pursuant to the sale and purchase agreement dated 2 December 2010 (as amended by several supplemental agreements signed in December 2010, March and June 2011) made between, inter alia, Boom Creation and an independent third party (“SPA”), subject to the completion of the reorganization of Top Prize Investments Limited (“Top Prize”) and its subsidiaries, Boom Creation has conditionally agreed to acquire and the independent third party has conditionally agreed to sell 1,180 shares of Top Prize, a company which will own the entire issued share capital of Bright City (Bright City will in turn own the entire equity interest in a PRC limited company whose principal businesses are the manufacturing, trading and installation of energy-efficient street lamps in the PRC) with a consideration of RMB200,000 (approximately HK\$235,440). Pursuant to the SPA, Boom Creation has also paid RMB1,256,950 (approximately HK\$1,479,682) to Top Prize as deposit for subscription of 8,000 new shares in Top Prize. The total number of 9,180 shares in Top Prize to be purchased and subscribed by Boom Creation will be equivalent to 51% of the total issued shares of Top Prize.

On 1st April 2011, the Group entered into an agreement for acquiring the entire issued share capital of Arnda Semiconductor Limited and the vendor’s shareholders loans at the total consideration of HK\$11,100,000. Details of the acquisition were disclosed in the Company’s announcement dated 6th April 2011. The acquisition was completed on 25th July 2011.

To facilitate the development in liquor and red wine market, on 6th May 2011, the Group entered into two agreements for acquiring two properties at the total consideration of HK\$3,550,000. The vendors are connected persons of the Group. The properties were acquired by the Group for the storage and as showrooms of red wines and liquor. The Directors expect that it will enhance the turnover and profits of red wines and liquor trading of the Group. The acquisition of the two properties was completed on 31st May 2011.

In additions, on 9th May, 2011, the Company entered into a memorandum of understanding with Shenzhen DongYu Investment Development Company Limited (“Shenzhen DongYu”) in relation to the formation of a sino-foreign joint venture company (“JV Company”). The principal business activities of the JV Company will be in the planting of *Jatropha curcas* and the sale and production of biodiesel fuel. *Jatropha curcas* seeds contain oil that can be processed to produce a high-quality biodiesel fuel which is usable in standard diesel engines. The Board believes that the formation of the JV Company with Shenzhen DongYu, if successful, will diversify the revenue bases of the Group and will allow the Group to enter into the market of biodiesel fuel which the Board trusts will be of substantial growth potential.

During the period, in order to diversify the business risks, the Group started to engage in the wholesaling of fashions.

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the six months ended 30th June 2011 was approximately HK\$19,383,000 (2010: approximately HK\$13,985,000) representing an increase of approximately HK\$5,398,000.

Optoelectronics products division

The Group recorded a turnover of approximately HK\$3,010,000 for the six months ended 30th June 2011 (2010: approximately HK\$2,769,000) representing an increase of approximately HK\$241,000.

Trading of liquor products division

The turnover of the liquor products for the six months ended 30th June 2011 was approximately HK\$3,443,000 (2010: nil).

Wholesaling of fashions division

The Group recorded a turnover of approximately HK\$41,000 for the six months ended 30th June 2011 (2010: nil).



Financial Review

Total turnover of the Group for the six months ended 30th June 2011 amounted to approximately HK\$25,877,000, representing a 54% increase from that of approximately HK\$16,754,000 generated in the corresponding period in 2010. Due to the market recovery in the watch sector, total turnover was mainly caused by the increase of approximately 39% and 9% in the sapphire watch crystals division and optoelectronics products division as compared with the corresponding period in 2010 respectively. Loss attributable to owners of the Company for the six months ended 30th June 2011 was approximately HK\$7,296,000 while that of the corresponding period in 2010 was loss of approximately HK\$202,000.

Operating costs for the six months ended 30th June 2011 was approximately HK\$14,749,000, representing an increase of approximately HK\$8,139,000 or 123% from the same period of last year. Increase in operating expenses was mainly due to the fact that there was recognition of share-based payment of approximately HK\$1,316,000 for the six months ended 30th June 2011 and increase of approximately HK\$1,245,000, approximately HK\$1,849,000 and approximately HK\$1,910,000 in the directors' remuneration, staff salaries and legal and professional fee as compared with the corresponding period in 2010 respectively.

Liquidity and Financial Resources

The Group's shareholders funds were increased to approximately HK\$87,672,000 as at 30th June 2011 (31st December 2010: approximately HK\$19,115,000). Current assets amounted to approximately HK\$93,365,000 as at 30th June 2011 (31st December 2010: approximately HK\$34,646,000), of which approximately HK\$55,719,000 (31st December 2010: approximately HK\$3,526,000) was cash and bank balances.

As at 30th June 2011, the Group's total borrowings amounted to approximately HK\$5,880,000 (31st December 2010: approximately HK\$7,351,000), of which approximately HK\$5,880,000 (31st December 2010: approximately HK\$7,351,000) were short-term borrowings repayable within one year.

The Group's gearing ratios as at 30th June 2011 was 0% (31st December 2010: 48.2%). Gearing ratio is calculated by dividing the net debt with the aggregate of total capital and net debt. Net debt includes trade payables, other payable and accruals, short-term loans, less cash and cash equivalents, and excludes discontinued operations. Total capital represents equity attributable to equity holders of the Company.

Foreign Exchange

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars, Swiss Franc, Chinese Renminbi, Japanese Yen, Euro, New Taiwan dollars and Hong Kong dollars. While the Group does not currently engage in hedging to manage its currency risk, as it considers the cost associated with such hedging arrangements would exceed the benefits, management will continue to monitor the relevant circumstances and will take such measures as it deem prudent.

Employees

As at 30th June 2011, the Group had 143 employees. Employees were remunerated according to their performances and work experiences. In addition to basic salaries and retirement scheme, staff benefits included free accommodation at the Group's staff quarters in PRC and performance bonus. Total staff costs including directors' remuneration for the period were approximately HK\$7,064,000 (2010: approximately HK\$2,610,000).

Material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the 6 months ended 30th June 2011.



PROSPECTS

Although the global economies seems to be getting worse, the Board expects the sales from sapphire and optoelectronics distribution division may be not be greatly affected by that. Accordingly the Board expects there will be a slightly growth 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 period ended 30th June 2011, the Group has made investment in LED lighting driver integrated circuitry markets, details were disclosed in the “Business Review” paragraph of this report. The Board will continue its effort in developing this market and is confident that it will contribute cash flows to the Group.

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

Finally, The Group will continue its effort in developing its business in both the energy-efficient streetlamp markets, red wine market and wholesaling of fashions and is 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.

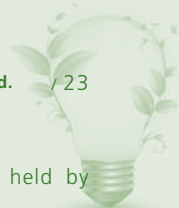
PLACING OF SHARES

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

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

SHARE OPTION SCHEME

The Previous Share Option Scheme was adopted by the Company on 21st July 2001 and was terminated during the period. A New Share Option Scheme was adopted on 8th March 2011. Upon termination of the Previous Share Option Scheme, no further Options will be granted thereunder, but the provisions of the Previous 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 the 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 and the principal terms of the New Share Option Scheme were set out in the Company's circular and its appendix I dated 21st February 2011. Details of the principal terms of the Previous Share Option Scheme were set out in appendix IV to the Company's prospectus dated 27th July 2001.



The following table disclosed movements of the Company's share options held by employees and directors during the period ended 30th June 2011:

Participant	Date of grant	Exercise price HK\$	Exercisable period	At 1/1/2011	Number of options				Redescription during the period	At 30/6/2011
					Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period		
Directors	23/11/2010	0.772	23/11/2010 – 21/7/2011	7,083,290	–	4,249,974	–	1,416,658	(1,416,658)	–
Employees	23/11/2010	0.772	23/11/2010 – 21/7/2011	1,416,658	–	716,658	–	–	1,416,658	2,116,658
	24/3/2011	1.45	24/3/2011 – 23/3/2021	–	1,816,658	1,416,658	–	–	–	400,000
				<u>8,499,948</u>	<u>1,816,658</u>	<u>6,383,290</u>	<u>–</u>	<u>1,416,658</u>	<u>–</u>	<u>2,516,658</u>

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June 2011, 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
Lam Ping Cheung Andrew (Note 2)	Interest in a controlled corporation	–	28,000,000	Long position	13.27%
Chan Chung Keung Jackson	Beneficial owner	1,416,658	–	Long position	0.67%
Chan Yim Kum	Beneficial owner	1,416,658	–	Long position	0.67%

As at 30th June 2011, 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 SHAREHOLDERS’ INTERESTS IN SECURITIES

As at 30th June 2011, so far as the Directors were aware the persons who had 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 4)
Good Capital Resources Limited (Note 1)	Beneficial owner	16,645,882	–	Long position	7.89%



Name of shareholders	Capacity	Number of shares	Underlying Shares	Long/Short Position	Percentage of issued shares (Note 4)
Tang Man Lai (Note 1)	Beneficial owner and interest in a controlled corporation	16,648,235	–	Long position	7.89%
Equity Reward Ltd (Note 2)	Beneficial owner	–	28,000,000	Long position	13.27%
Lam Ping Cheung Andrew (Note 2)	Interest in a controlled corporation	–	28,000,000	Long position	13.27%
iReady360 Media Networks Limited (Notes 3 & 5)	Beneficial owner	15,202,800	–	Long position	7.20%
Ng Wai Lok, Raylot (Notes 3 & 5)	Interest in a controlled corporation	15,202,800	–	Long position	7.20%

Notes:

1. Good Capital Resources Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Tang Man Lai.
2. Equity Reward Limited is wholly owned by Lam Ping Cheung Andrew. Pursuant to the warrant subscription agreement signed on 30th 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.



3. Mr. Ng Wai Lok, Raylot is the controlling shareholder of iReady360 Media Networks Limited.
4. The percentage is calculated based on 211,049,172 shares in issue as at 30th June 2011.
5. 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 was no person other than a Director or supervisor or chief executive who, as at 30th June 2011, had 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 would 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.



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 shares during the six months ended 30th June 2011.

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 complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period ended 30th June 2011.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

For the six months ended 30th June 2011, the Company fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules.

COMPETING INTERESTS

During the six months ended 30th June 2011, none of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

AUDIT COMMITTEE

As required by Rule 5.28 of the GEM Listing Rules, the Company 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. The audit committee comprises three independent non-executive directors, namely Mr. Tsui Siu Hung, Mr. Lee Tao Wai and Mr. Liu Chun Ning, Wilfred (resigned on 29th July 2011).

Pursuant to Rules 5.05 and 5.28 of the GEM Listing Rules, the Company is required to have at least three independent non-executive Directors and the audit committee of the Company must comprise a minimum of three members, in each case, at least one of them must have appropriate professional qualifications or accounting or related financial management expertise. The resignation of Mr. Liu Chun Ning, Wilfred means the Board only has two independent non-executive Directors, and the audit committee of the Company only has two members as required under Rules 5.05 and 5.28 of the GEM Listing Rules. The Company will seek a suitable candidate to fill the vacancy and expects a replacement will be appointed within 3 months from the date of his resignation pursuant to Rules 5.06 and 5.33 of the GEM Listing Rules.

The Company's financial statements for the six months ended 30th June 2011 have been reviewed by the audit committee with the assistance from the auditors. The audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the GEM Listing Rules.

By Order of the Board
Chan Chung Keung Jackon
Chairman

Hong Kong, 12th August 2011

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

- (1) Mr. Chan Chung Keung Jackon, as an executive director;
- (2) Ms. Chan Yim Kum, as an executive director;
- (3) Mr. Nee, Henry Pei Ching, as an executive director;
- (4) Mr. Lam Ping Cheung Andrew, as an executive director;
- (5) Mr. Tsui Siu Hung, as an independent non-executive director;
- (6) Mr. Lee Tao Wai, as an independent non-executive director.