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

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

Stock Code: 8150

Annual Report 2011

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

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

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

This 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.

TABLE OF CONTENTS

CORPORATION INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and principal place of business	Unit 1906-07, 19/F., Cosco Tower, 183 Queen's Road Central, Hong Kong
Executive Directors	Mr. Chan Ka Ming *(Chairman)* Mr. Nee, Henry Pei Ching Mr. Tam Chak Chi Mr. Ho Chun Kit Gregory
Independent Non-executive Directors	Mr. Jal Nadirshaw Karbhari Mr. Ng Kai Shing Ms. Chan Sze Man
Company Secretary/Authorized Representative	Ms. Chan Yim Kum
Audit Committee	Mr. Jal Nadirshaw Karbhari *(Chairman)* Mr. Ng Kai Shing Ms. Chan Sze Man
Remuneration Committee	Mr. Ng Kai Shing *(Chairman)* Mr. Tam Chak Chi Ms. Chan Sze Man

CORPORATION INFORMATION

Nomination Committee	Mr. Ng Kai Shing *(Chairman)* Mr. Jal Nadirshaw Karbhari Ms. Chan Sze Man
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 2011.

RESULTS

During the year under review, despite the slow global economic recovery and continuously deteriorating debt crisis in the United States of America and Europe in 2011, the Group recorded revenue of approximately HK$47.1 million (2010: HK$32.5 million), representing an increase of approximately 44.6% against the prior year. However, due to (i) a significant amount of legal and professional fees incurred by the incident of voluntary conditional cash offers by Equity Reward Limited (details of which was disclosed in the announcement, circular and supplementary circular dated 16 August 2011, 5 September 2011 and 12 September 2012 respectively); (ii) written down of inventories amounting to HK$3.30 million during the period under review; and (iii) certain written off and provision for impairment losses provided amounting to approximately HK$16 million throughout the year, net loss attributable to the owners of the Company amounted to approximately HK$50.5 million (2010: HK$11.7 million), representing an increase of loss of approximately 331.3% as compared to the corresponding period in 2010. Basic loss per share for the year was HK27.01 cents (2010: HK12.27 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, fashion and integrated circuits and software trading and development.

Synthetic Sapphire Watch

The turnover of the sapphire watch crystals for the year ended 31 December 2011 increased by HK$8.2 million, representing an increase of approximately 31% over the corresponding period in 2010. The increase in turnover is mainly due to the increase in the market demand.

Optoelectronic Product

The sales of optoelectronic products division for the year ended 31 December 2011 and 2010 were amounted to HK$6.3 million and HK$4.3 million respectively, representing an increase of approximately 47% over the corresponding period in 2010. The increase in turnover is mainly due to the increase in the market demand.

Liquor Product

Sales from the liquor products division for the year ended 31 December 2011 and 2010 were amounted to HK$3.5 million and HK$1.7 million respectively, representing an increase of approximately 106% over the corresponding period in 2010. The increase in turnover is mainly due to the increase in the market demand.

Integrated Circuits and Embedded Software Trading and Development

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

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

Wholesaling and Retailing of Fashions

During the 2nd quarter of 2011, the Group started a new business on its own to engage in the wholesaling and retailing of fashions in order to diversify the business risks to broaden the sources of income of the Company. The wholesaling and retailing of fashions division operate a retail business model with retail shop located in Causeway Bay in Hong Kong. The products of the wholesaling and retail of fashions division covering different kinds of mobile phone cases, wallets and fashions with its own brand name known as "Celta".

Turnover of the wholesaling and retailing of fashions division was amounted to HK$0.6 million for the year ended 31 December 2011 (2010: nil).

PROSPECTS

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

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

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

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

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

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

Chan Ka Ming
Chairman
16 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

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

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

Sapphire watch crystals division

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

Turnover generated from European customers increased to HK$33.5 million for the year ended 31 December 2011, representing an increase of approximately 142.8% from that of HK$13.8 million generated from the year ended 31 December 2010. Sales to customers in Taiwan decreased to HK$0.1 million for the year ended 31 December 2011, representing a decrease of approximately 97% from that of HK$4.8 million for the year ended December 2010. Turnover from Hong Kong customers decreased to HK$6.4 million for the year ended 31 December 2011, representing a decrease of approximately 39% from that of HK$10.5 million generated for the year ended 31 December 2010.

Optoelectronics products division

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

Liquor products division

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

Integrated circuits and embedded software trading and development divison

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

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

Wholesaling and retailing of fashions division

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

Other income and gains

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

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

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

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

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

Financial resources and liquidity

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

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

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

Foreign currency risk

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

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

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

Litigation

Save as disclosed in note 33 to the consolidated financial statements, neither the Company nor any of its subsidiaries was involved in any other material litigation or proceedings or arbitration and so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against the Company and any of its subsidiaries.

Contingent liabilities

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

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

Capital structure

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

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

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

Voluntary conditional cash offers ("Offers")

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

Employees

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

Material acquisitions and disposal of subsidiaries and affiliated companies

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

Segmental Information

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prospects

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

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

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

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

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

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.

According to the code provision A.2.1 of the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules (the "Code"), the roles of the chairman and the chief executive officer should be segregated. However, the Company has no chief executive officer currently. The responsibility of that of a chief executive officer is currently taken up by the Board. If the Company can identify a suitable person with capable leadership and experiences, the Company may consider appointing a chief executive officer. Owing to the business nature and scope of the Company, a suitable person shall have profound understanding and experiences on each of the business segments as well as daily operation of the Group. The Company planned to appoint a chief executive officer responsible for the Group's operation in 2012.

Save as disclosed above, the Company has complied with the Code throughout the year ended 31 December 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 compiled with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year 31 December 2011.

Remuneration of directors

Remuneration committee, currently comprises one executive director and two independent non-executive directors, namely Mr. Tam Chak Chi, Mr. Ng Kai Shing and Ms. Chan Sze Man, has been established to make recommendation to the Board on the Company's policy and structure for all remuneration of Directors. Mr. Tam Chak Chi is the Chairman of the remuneration committee. The remuneration and benefits for the executive directors amounted to approximately HK$4,837,000 in 2011.

For the year ended 31 December 2011, the Remuneration Committee held 4 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
Tam Chak Chi *(Chairman)* (appointed on 9 January 2012)	0/0
Ng Kai Shing (appointed on 16 August 2011)	3/3
Chan Sze Man (appointed on 16 February 2012)	0/0
Lee Tao Wai (resigned on 20 February 2012)	4/4
Tsui Siu Hung (resigned on 10 February 2012)	4/4
Liu Chun Ning Wilfred (resigned on 29 July 2011)	0/1
Tso Chip (resigned on 30 May 2011)	0/1

Board of directors

The Board of the Company (the "Board") currently comprises seven directors, of which four are executive directors and three 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 2011 and thereafter up to 16 March 2012, the latest practicable date prior to the printing of this annual report, the directors are as follows:

Executive directors

Chan Ka Ming *(Chairman)* (appointed on 7 October 2011)
Nee, Henry Pei Ching (appointed on 28 May 2011)
Tam Chak Chi (appointed on 9 January 2012)
Ho Chun Kit Gregory (appointed on 16 January 2012)
Chan Chung Keung Jackon (resigned on 12 January 2012)
Chan Yim Kum (resigned on 11 January 2012)
Lam Chi Man (appointed on 5 December 2011 and resigned on 9 January 2012)
Lam Ping Cheung Andrew (removed on 20 September 2011)
Chung Ming Tru Daniel (resigned on 13 June 2011)
Wong Kwok Wai (resigned on 26 May 2011)
Wong Pak Fai Philip (resigned on 26 May 2011)
Zhao Wen Tao (retired on 27 May 2011)
Tang Man Lai (resigned on 24 March 2011)

Independent non-executive directors

Jal Nadirshaw Karbhari (appointed on 5 December 2011)
Ng Kai Shing (appointed on 16 August 2011)
Chan Sze Man (appointed on 16 February 2012)
Lee Tao Wai (resigned on 20 February 2012)
Tsui Siu Hung (resigned on 10 February 2012)
Liu Chun Ning Wilfred (resigned on 29 July 2011)
Tso Chip (resigned on 30 May 2011)

Pursuant to clause 86(2) of the current Bye-laws, Mr. Chan Ka Ming. Mr. Nee, Henry Pei Ching, Mr. Tam Chak Chi, Mr. Ho Chun Kit Gregory, Mr. Jal Nadirshaw Karbhari, Mr. Ng Kai Shing and Ms. Chan Sze Man shall hold office until the 2012 AGM. All of the above retiring directors, being eligible, will offer themselves for re-election at the 2012 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 2011, the Board held 68 meetings.

The attendance of the Directors at the meetings held during the year ended 31 December 2011 is as follows:

Directors	**Number of attendance**
Chan Ka Ming *(Chairman)* (appointed on 7 October 2011)	7/12
Nee, Henry Pei Ching (appointed on 28 May 2011)	23/37
Tam Chak Chi (appointed on 9 January 2012)	0/0
Ho Chun Kit Gregory (appointed on 16 January 2012)	0/0
Chan Chung Keung Jackon (resigned on 12 January 2012)	58/65
Chan Yim Kum (resigned on 11 January 2012)	58/65
Lam Chi Man (appointed on 5 December 2011 and resigned on 9 January 2012)	1/4
Lam Ping Cheung Andrew (removed on 20 September 2011)	9/51
Chung Ming Tru Daniel (resigned on 13 June 2011)	5/32
Wong Kwok Wai (resigned on 26 May 2011)	23/27
Wong Pak Fai Philip (resigned on 26 May 2011)	0/28
Zhao Wen Tao (retired on 27 May 2011)	0/28
Tang Man Lai (resigned on 24 March 1)	6/14
Jal Nadirshaw Karbhari (appointed on 5 December 2011)	1/4
Ng Kai Shing (appointed on 16 August 2011)	15/21
Chan Sze Man (appointed on 16 February 2012)	0/0
Lee Tao Wai (resigned on 20 February 2012)	29/65
Tsui Siu Hung (resigned on 10 February 2012)	29/65
Liu Chun Ning Wilfred (resigned on 29 July 2011)	2/38
Tso Chip (resigned on 30 May 2011)	0/29

Audit Committee

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

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

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

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

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

Directors	**Number of attendance**
Jal Nadirshaw Karbhari *(Chairman)* (appointed on 5 December 2011)	0/0
Ng Kai Shing (appointed on 16 August 2011)	1/1
Chan Sze Man (appointed on 16 February 2012)	0/0
Lee Tao Wai (resigned on 20 February 2012)	4/4
Tsui Siu Hung (resigned on 10 February 2012)	4/4
Liu Chun Ning Wilfred (resigned on 29 July 2011)	0/2
Tso Chip (resigned on 30 May 2011)	0/2

Nomination 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. Tam Chak Chi (Chairman), Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man.

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	720,000
– Other services	359,000

Chairman and chief executive officer

Details of backgrounds and qualifications of Directors are set out in the Report of the Directors. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Chan Ka Ming is the chairman of the Board. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. Currently, the Company has no chief executive officer and the Board is responsible to play the role of chief executive officer in overseeing the management and development of the Group's business with the assistance of the Group's heads of each business segments.

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 2011.

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 2011 are set out in the consolidated statement of comprehensive income on page 28.

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 31 and note 29 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 2011, no reserve was available for distribution to the owners of the Company (2010: Nil).

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2011 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 99.

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 31 and note 27 to the financial statements respectively.

Directors

Executive Directors

Mr. Chan Ka Ming, aged 38, holds a bachelor degree of science from The Chinese University of Hong Kong and has more than 15 years' experience in business development, strategic planning and operational management for various companies with wide range of businesses, including telecommunications, broadcasting, car dealership, property development and provision of financial information services.

Mr. Nee, Henry Pei Ching, aged 54, was educated in the United States. He has nearly 30 years of networking and electronic engineering experience, especially in technical development of networking protocols, embedded systems, and integrated circuits. He has experience in engineering, marketing and manufacturing with multi-national corporation.

Mr. Tam Chak Chi, aged 34, holds a bachelor degree of commerce from the University of Toronto and has more than 10 years' of experience in providing accounting, auditing and financial services in his various roles as senior positions for various private and listed companies (on the Main Board and the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and NASDAQ). He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Mr. Ho Chun Kit Gregory, aged 33, holds a bachelor degree of accounting from the Monash University of Australia and is a member of the Certified Public Accountants of Australia. He has worked for several international accounting and business advisory firms for more than 10 years in providing accounting, auditing, financial, corporate advisory and corporate restructuring services to listed companies. He subsequently setup his own corporate advisory firm.

Independent Non-executive Directors

Mr. Jal Nadirshaw Karbhari, aged 64, holds a bachelor degree of laws and a master degree of laws from the University of Bombay, India and has over 30 years of experience working as a solicitor in Hong Kong. Mr. Karbhari is also a notary public and a civil celebrant of marriages. He was also admitted as a solicitor in India, England and Wales and Australia Capital Territory (Australia).

Mr. Ng Kai Shing, aged 65, has over 30 years of experience in finance and accounting, financial management, corporate governance, corporate finance, restructuring, mergers and acquisitions in the fields of building/civil construction, property project management, manufacturing and trading industries with multi-national corporations. He had been executive and non-executive director of several companies listed on the main board of The Stock Exchange of Hong Kong Limited.

Ms. Chan Sze Man, aged 30, holds a bachelor degree of business administration (majoring in accountancy) from the University of Science and Technology, Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants and has over eight years of experience in accounting and auditing for Hong Kong listed companies and private companies. She has been the chief financial officer and the company secretary of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, since June 2010.

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 year.

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 30 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 28 to the consolidated financial statements.

Directors' and chief executive's interests in securities

As at 31 December 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
Chan Chung Keung Jackon	Beneficial owner	1,416,658	–	Long position	0.67%
Chan Yim Kum	Beneficial owner	1,416,658	–	Long position	0.67%

As at 31 December 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 shareholder's interests in securities

As at 31 December 2011, 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)*	Corporate	16,645,882	–	Long Position	7.86%
Tang Man Lai *(Note 1)*	Beneficial owner	18,248,235	–	Long Position	8.62%
iReady360 Media Networks Limited *(Notes 2 & 3)*	Interest in a controlled corporation	15,202,800	–	Long Position	7.18%
Ng Wai Lok, Raylog *(Notes 2 & 3)*	Interest in a controlled corporation	15,202,800	–	Long Position	7.18%
Vong Kuoc Meng	Beneficial owner and interest in a controlled corporation	10,830,000	–	Long Position	5.11%
Tong Kam Wing	Beneficial owner	16,850,000	–	Long Position	7.96%

Notes:

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

2. Pursuant to the order granted by the High Court of Hong Kong on 8 December 2009, iReady360 Media Networks Limited, Mr. Ng Wai Lok, Raylot (as the controlling shareholder of iReady360 Media Networks 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 iReady360 Media Networks Limited except in accordance with the instructions of consent of Good Capital Resources Limited.

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

4. The percentage is calculated based on 211,749,172 shares in issue as at 31 December 2011.

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 2011, 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 2011, 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.

Major customers and suppliers

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

– The largest customer	26%
– Five largest customers	66%

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

– The largest supplier	32%
– Five largest suppliers	76%

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 2011.

Purchase, Sale, Redemption or Cancellation of Shares by the Company and/or Subsidiaries

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

Competing Interests

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

Dividend

The directors do not recommend the payment of any dividend to the shareholders of the Company for the year ended 31 December 2011 (2010: 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

Chan Ka Ming
Chairman

Hong Kong, 16 March 2012

INDEPENDENT AUDITORS' REPORT

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 were engaged to audit 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 28 to 98, which comprise the consolidated and Company's statements of financial position as at 31 December 2011, 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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matter described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Limitation of scope – Intangible assets

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

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

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

2. Limitation of scope – Impairment of deposits and loan receivables

Included in the consolidated statement of comprehensive income of HK$4,628,000 is in full provision of impairment loss on certain deposits and loan receivables in connection to an investment project in Wuxi. As further described in note 21 to the consolidated financial statements, in the opinion of the directors of the Company, the Wuxi project was lapsed in September 2011 and they are taking legal actions to recover the deposits and loans. However, they considered that the possibility of recovering the deposits and loan receivables was remote. In the absence of adequate documentary evidence available to us, we are unable to satisfy ourselves as to whether the full impairment made on these deposits and loan receivables are appropriate.

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

DISCLAIMER OF OPINION

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

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

16 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	6(a) & 7	**47,050**	32,543
Cost of sales	20	**(41,199)**	(26,766)
Gross profit		**5,851**	5,777
Other income and gains	6(b)	**1,970**	1,267
Gain on disposal of subsidiaries	38	**–**	447
Net (loss)/gain on financial assets at fair value through profit or loss		**(720)**	673
Loss on derecognition of intangible asset	17	**(8,700)**	–
Purchase costs recognised as expense	37	**(2,413)**	–
Impairment losses on trade and other receivables	21	**(5,130)**	(246)
Selling and distribution costs		**(2,895)**	(2,117)
Administrative and other operating expenses		**(38,118)**	(17,451)
Loss from operations		**(50,155)**	(11,650)
Finance costs	8	**(28)**	(30)
LOSS BEFORE TAXATION	9	**(50,183)**	(11,680)
Income tax expense	10	**(363)**	(40)
LOSS FOR THE YEAR		**(50,546)**	(11,720)
Other comprehensive income (after tax):			
Exchange differences on translation of the financial statements of foreign subsidiaries, net of HK$nil tax		**924**	236
Surplus on revaluation of buildings held for own use, net of HK$134,000 tax	16	**535**	–
Other comprehensive income for the year		**1,459**	236
Total comprehensive expense for the year		**(49,087)**	(11,484)
Loss attributable to owners of the Company	13	**(50,546)**	(11,720)
Total comprehensive expense attributable to owners of the Company		**(49,087)**	(11,484)
Loss per share attributable to the owners of the Company			
Basic and diluted	15	**(27.01) cents**	(12.27 cents)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**15,761**	7,339
Intangible assets	17	**–**	–
Prepaid land lease payments	18	**537**	530
		16,298	7,869
Current assets			
Prepaid land lease payments	18	**17**	16
Inventories	20	**4,924**	5,768
Trade and other receivables	21	**16,902**	12,517
Financial assets at fair value through profit or loss	22	**–**	12,819
Cash and cash equivalents	23	**26,740**	3,526
		48,583	34,646
Current liabilities			
Bank overdrafts	23	**1,779**	–
Trade and other payables	24	**9,745**	13,930
Short-term loans	25	**4,520**	7,351
Current income tax payable	26	**2,438**	2,119
		(18,482)	(23,400)
Net current assets		**30,101**	11,246
Total assets less current liabilities		**46,399**	19,115
Non-current liabilities			
Deferred tax liabilities		**(134)**	–
NET ASSETS		**46,265**	19,115
CAPITAL AND RESERVES			
Share capital	27	**10,587**	7,083
Reserves		**35,678**	12,032
TOTAL EQUITY		**46,265**	19,115

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

Approved and authorised for issue by the Board of Directors on 16 March 2012 and signed on behalf of the Board by:

Chan Ka Ming
Director

Tam Chak Chi
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**121**	108
Interest in subsidiaries	*19*	**21,053**	5,274
		21,174	5,382
Current assets			
Trade and other receivables	*21*	**7,965**	3,888
Financial assets at fair value through profit or loss	*22*	**–**	12,819
Cash and cash equivalents	*23*	**20,476**	832
		28,441	17,539
Current liabilities			
Trade and other payables	*24*	**1,387**	5,952
Short-term loans	*25*	**4,520**	4,520
		(5,907)	(10,472)
Net current assets		**22,534**	7,067
Total assets less current liabilities		**43,708**	12,449
NET ASSETS		**43,708**	12,449
CAPITAL AND RESERVES			
Share capital	*27*	**10,587**	7,083
Reserves	*29*	**33,121**	5,366
TOTAL EQUITY		**43,708**	12,449

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

Approved and authorised for issue by the Board of Directors on 16 March 2012 and signed on behalf of the Board by:

Chan Ka Ming
Director

Tam Chak Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Revaluation reserve HK$'000	Exchange reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
As at 1 January 2010	4,240	7,984	–	1,505	–	(13,269)	460
Loss for the year	–	–	–	–	–	(11,720)	(11,720)
Other comprehensive income for the year:							
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	–	236	–	–	236
Total comprehensive income/(expense) for the year	–	–	–	236	–	(11,720)	(11,484)
Issue of shares	2,843	26,276	–	–	–	–	29,119
Recognition of equity-settled share-based payments	–	–	–	–	1,020	–	1,020
As at 31 December 2010 and at 1 January 2011	7,083	34,260	–	1,741	1,020	(24,989)	19,115
Loss for the year	–	–	–	–	–	(50,546)	(50,546)
Other comprehensive income for the year:							
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	–	924	–	–	924
Surplus on revaluation of buildings held for own use, net of HK$134,000 tax	–	–	535	–	–	–	535
Total comprehensive expense for the year	–	–	535	924	–	(50,546)	(49,087)
Shares issued under placement, net of issuing cost of HK$1,935,000	3,150	65,265	–	–	–	–	68,415
Recognition of equity-settled share-based payments	–	–	–	–	1,393	–	1,393
Shares issued under exercise of share options	354	7,841	–	–	(1,766)	–	6,429
Lapse of share options	–	–	–	–	(340)	340	–
As at 31 December 2011	10,587	107,366	535	2,665	307	(75,195)	46,265

	Note	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(50,183)**	(11,680)
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**1,954**	1,532
Amortisation of prepaid land lease payments	*18*	**17**	16
Write down of inventories	*20*	**3,296**	299
Write-back of other payables and accruals		**–**	(288)
Impairment losses on trade and other receivables	*21*	**5,130**	246
Impairment losses on property, plant and equipment		**125**	–
Loss on disposal of intangible asset	*17*	**8,700**	–
Purchase costs recognised as expense	*37*	**2,413**	–
Finance costs	*8*	**28**	30
Interest income	*6(b)*	**(373)**	(18)
Unrealised gain on financial assets at fair value through profit or loss		**–**	(290)
Share-based payment expenses		**1,393**	1,020
Gain on disposal of subsidiaries		**–**	(447)
Foreign exchange loss		**848**	–
Operating loss before changes in working capital		**(26,652)**	(9,580)
Decrease/(increase) in financial assets at fair value through profit or loss		**12,819**	(12,529)
(Increase)/decrease in inventories		**(2,452)**	835
Increase in trade and other receivables		**(9,515)**	(10,512)
(Decrease)/Increase in trade and other payables		**(4,220)**	7,758
Decrease in amount due to a director		**–**	(50)
CASH USED IN OPERATIONS		**(30,020)**	(24,078)
Interest paid		**(28)**	(30)
PRC Enterprise Income Tax paid		**(44)**	(8)
NET CASH USED IN OPERATING ACTIVITIES		**(30,092)**	(24,116)
INVESTING ACTIVITIES			
Interest received		**373**	18
Payments to acquire property, plant and equipment	*16*	**(9,804)**	(57)
Net cash outflow arising from the acquisition of Arnda	*37*	**(11,078)**	–
Net cash outflow arising from the disposal of subsidiaries	*38*	**–**	(4)
NET CASH USED IN INVESTING ACTIVITIES		**(20,509)**	(43)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES			
Issue of new shares, net of transaction costs		**68,415**	29,119
Proceeds from shares issued under share option scheme		**6,429**	–
Short-term loans (repaid)/obtained		**(2,831)**	1,625
Long-term loans repaid		**–**	(4,015)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**72,013**	26,729
NET INCREASE IN CASH AND CASH EQUIVALENTS		**21,412**	2,570
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**3,526**	782
EFFECT OF FOREIGN EXCHANGES, NET		**23**	174
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*23*	**24,961**	3,526

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 (rounded to the nearest thousand except for per share data), which is the same as the functional and presentation currency of the Company.

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

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

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs (2010)
HKAS 24 (Revised 2009)	Related Party Disclosures

The Group has not applied any new standard or interpretation that is not yet effective for the current period.

The impacts of the developments as mentioned above are discussed below:

– HKAS 24 (Revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (Revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

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

– Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, "Financial instruments: Disclosures". The disclosures about the Group's financial instruments in note 35 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

Save for as explained above, 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 HKFRSs that have been issued but are not yet effective for the year ended 31 December 2011 and in these financial statements.

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[5]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Market[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive income[3]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (Revised in 2011)	Employee Benefits[4]
HKAS 27 (Revised in 2011)	Separate Financial Statements[4]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

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

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

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

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

Key requirement of HKFRS 9 are described as follows:

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

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

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

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

3. Basis of preparation

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

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

4. Significant accounting policies

(a) Basis of Consolidation

The consolidated 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.

Income and expenses 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. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 in full on consolidation.

(b) Acquisition of assets

For the acquisition of Arnda Semiconductor Limited under note 37 that a right on the development of LED lighting driver integrated circuits for solid state lighting effected through a non-operating corporate structure that does not represent a business, it is considered that the transaction does not meet the definition of a business combination. Accordingly the transaction is accounted for as the acquisition of an asset. The net assets acquired are recognised at cost allocated based on the fair value of the respective assets acquired.

(c) Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

4. Significant accounting policies *(continued)*

(d) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the consolidated statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

(e) Revenue recognition

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

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset, excluding financial assets 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.

4. Significant accounting policies *(continued)*

(e) Revenue recognition *(continued)*

Rental income

The Group's policy for recognition of revenue from operating leases is described in note 4(l).

(f) Property, plant and equipment and depreciation

The buildings held for own use which are situated on leasehold land classified as held under operating leases are stated in the consolidated statement of financial position at their revaluated amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retaining earnings.

For other property, plant and equipment, they 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.

The self-constructed items of property, plant and equipment are carried at cost, less any recognised impairment loss. Cost includes the cost of materials, direct labour, professional fees and, for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy. Such self-constructed items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets under property, plant and equipment, commences when the assets are ready for their intended use.

4. Significant accounting policies *(continued)*

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

Depreciation is recognised so as to write off the cost or revalued assets less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

The principal annual depreciation rates used in the calculation of depreciation are as follows:

Building	Over the shorter of lease terms or 20 years
Leasehold improvements	Over the shorter of lease terms or 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 the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(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 lease period.

(h) Intangible assets

Intangible assets in an asset acquisition are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in an asset acquisition are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. Significant accounting policies *(continued)*

(i) Impairment of tangible and intangible assets

At the end of each 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whether there is an indication that the assets may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see note 4(f)).

Where an impairment loss subsequently reverses, the carrying amount of the assets (or cash-generating unit) 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see note 4(f)).

(j) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. Significant accounting policies *(continued)*

(j) Financial instruments *(continued)*

i) Financial assets

The financial assets of the Group are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL) and loans and receivables. The classification method depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

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

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 recognised in profits or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

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 and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

4. Significant accounting policies *(continued)*

(j) Financial instruments *(continued)*

i) Financial assets *(continued)*

Impairment of financial assets

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

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

4. Significant accounting policies *(continued)*

(j) Financial instruments *(continued)*

i) *Financial assets* *(continued)*

Impairment of financial assets (continued)

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

Derecognition of financial assets

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

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

ii) *Financial liabilities and equity instruments*

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

4. Significant accounting policies *(continued)*

(j) Financial instruments *(continued)*

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" 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 recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the consolidated statement of comprehensive income.

Other financial liabilities

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

4. Significant accounting policies *(continued)*

(j) Financial instruments *(continued)*

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

Other financial liabilities (continued)

The effective interest method is a method of calculating the amortised cost of a financial liabilities and of allocating interest expense 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.

Derecognition of financial liabilities

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

(k) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group; or

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

4. Significant accounting policies *(continued)*

(k) Related parties *(continued)*

(b) *(continued)*

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(l) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted-average basis, and in the case of work in progress and finished goods, which comprise direct materials, direct labour and production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. Significant accounting policies *(continued)*

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(q) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

4. Significant accounting policies *(continued)*

(q) Taxation *(continued)*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised of they arise from the initial recognition of goodwill deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) 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 to the Group as consideration for equity instruments ("equity-settled transactions").

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

4. Significant accounting policies *(continued)*

(r) Employee benefits *(continued)*

Share-based payment transactions *(continued)*

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

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

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

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' relevant income and are charged to the profit or loss 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 subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

(s) 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 translated in functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains or losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

4. Significant accounting policies *(continued)*

(s) Foreign currencies *(continued)*

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the dates of the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using foreign exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve within equity.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from exchange reserve within equity to profit or loss when the profit or loss on disposal is recognised.

(t) 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.

(u) 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 chief operating decision maker ("CODM"), i.e. the board of directors of the Company, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors are 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(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) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling and distribution costs. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the end of each reporting period. The carrying amount of inventories is HK$4,924,000 (2010: HK$5,768,000). Details of the value of inventories are set out in note 20.

(ii) Impairment of property, plant and equipment

Recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods. The carrying amount of property, plant and equipment is HK$15,761,000 (2010: HK$7,339,000). Details of impairment of property, plant and equipment are set out in note 16.

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

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

(iii) Impairment of receivables

The Group maintains an allowance for impairment loss on trade and other receivables based on an evaluation of their irrecoverability, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance might be required. The carrying amount of trade and other receivables is HK$16,902,000 (2010: HK$12,517,000).

(iv) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, of the assets, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives 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. The carrying amount of property, plant and equipment is HK$15,761,000 (2010: HK$7,339,000). Details of depreciation of property, plant and equipment are set out in note 16.

(v) Income taxes

The Group is subject to various taxes in PRC where Group entities operate. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

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

The carrying amount of tax payable is HK$2,438,000 (2010: HK$2,119,000). Details of income taxes are set out in note 26.

6. Turnover and other income and gains

(a) Turnover

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

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

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

(b) Other income and gains

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

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

7. Segment information

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

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

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

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

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

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

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

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

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

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

Segment liabilities include all current liabilities other than tax payable.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4.

7. Segment information *(continued)*

(a) Segment revenues and results

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

	HK$'000
Reconciliation:	
Total loss for reportable segments	(3,156)
Unallocated corporate income	421
Bank interest income	3
Net loss on financial assets at fair value through profit or loss	(720)
Impairment losses on	
– trade receivables	(5,130)
– property, plant and equipment	(125)
Loss on derecognition of intangible asset	(8,700)
Purchase costs recognised as expense	(2,413)
Finance costs	(28)
Unallocated corporate expense	
– Staff costs	(15,106)
– Legal and professional fee	(11,926)
– Others	(3,303)
Consolidated loss before taxation	(50,183)

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

	HK$'000
Reconciliation:	
Total loss for reportable segments	(223)
Unallocated corporate income	1,249
Bank interest income	18
Gain on disposal of subsidiaries	447
Net gain on financial assets at fair value through profit or loss	673
Impairment losses on trade receivables	(246)
Finance costs	(30)
Unallocated corporate expense	(13,568)
Consolidated loss before taxation	(11,680)

7. Segment information *(continued)*

(b) Segment assets and liabilities

As at 31 December 2011	Sapphire HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Integrated circuits and software HK$'000	Fashion HK$'000	Total for reportable segments HK$'000
Segment assets	15,676	4,234	6,566	8,560	1,340	36,373
Unallocated assets						
– Cash and bank balance						20,614
– Others						7,891
Consolidated assets						64,881
Segment liabilities	(6,350)	(789)	–	(1,912)	(877)	(9,928)
Unallocated liabilities						
– Short-term loan						(4,520)
– Current income tax payable						(2,438)
– Deferred tax liabilities						(134)
– Others						(1,596)
Consolidated liabilities						(18,616)

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

7. Segment information *(continued)*

(c) Other segment information

For the year ended 31 December 2011	Sapphire HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Integrated circuits and software HK$'000	Fashion HK$'000	Unallocated HK$'000	Total HK$'000
Capital expenditure	5,103	–	3,963	8,700	653	85	18,504
Interest income	1	1	–	–	–	371	373
Interest expense	–	–	–	–	–	28	28
Impairment loss on:							
– trade and other receivables	–	166	–	–	–	4,964	5,130
– property, plant and equipment	125	–	–	–	–	–	125
Loss on derecognition of Intangible asset	–	–	–	8,700	–	–	8,700
Purchase costs recognised as expense	–	–	–	–	–	2,413	2,413
Income tax expense	18	47	–	237	–	61	363
Write down of inventories	2,283	830	183	–	–	–	3,296
Depreciation and amortisation	1,587	107	77	–	129	71	1,971

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

(d) Geographical Information

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

7. Segment information *(continued)*

(d) Geographical Information *(continued)*

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

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

(e) Information about major customers

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

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

(f) Information about product and services

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

8. Finance costs

	2011	2010
	HK$'000	HK$'000
Other interest expense	**28**	30
Total interest expenses for financial liabilities not classified as at fair value through profit or loss	**28**	30

9. Loss before taxation

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

	2011	2010
	HK$'000	HK$'000
Amortisation of prepaid land lease payments	**17**	16
Depreciation of property, plant and equipment	**1,954**	1,532
Impairment losses on		
– Trade and other receivables	**5,130**	246
– Property, plant and equipment	**125**	–
Loss on derecognition of intangible asset	**8,700**	–
Purchase costs recognised as expense	**2,413**	–
Cost of inventories*	**37,903**	26,467
Write down of inventories	**3,296**	299
Minimum lease payment under operating leases		
– Buildings	**1,420**	751
Auditors' remuneration		
– Audit services	**720**	600
– Other services	**359**	567
Staff costs (including directors' remuneration *(note 11)*):#		
Wages and salaries	**12,017**	6,241
Discretionary bonuses	**4,245**	–
Retirement scheme contributions	**328**	103
Equity-settled share-based payment expenses	**1,393**	1,020

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

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

10. Income tax expense

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

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

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

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

10. Income tax expense *(continued)*

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

	2011	2010
	HK$'000	HK$'000
Loss before taxation	**(50,183)**	(11,680)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(8,824)**	(2,199)
Tax effect of non-taxable income	**(69)**	(77)
Tax effect of non-deductible expenses	**9,757**	1,220
Tax effect of temporary difference not recognised	**(372)**	278
Tax benefit not recognised	**311**	1,310
Tax losses utilised from previous periods	**(440)**	(470)
Tax rebate	**–**	(22)
Income tax expense recognised in profit or loss	**363**	40

11. Directors' remuneration

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

	2011	2010
	HK$'000	HK$'000
Fees	**3,349**	1,878
Other emoluments:		
Salaries, allowances and benefits in kind	**–**	400
Discretionary bonuses	**2,405**	–
Share-based payments	**–**	850
Pension scheme contributions	**–**	12
	2,405	1,262
Total remuneration	**5,754**	3,140

11. Directors' remuneration *(continued)*

For the year ended 31 December 2011

	Appointed on	Resigned on	Salaries, allowances and benefits in kind HK$'000	Fees HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:								
Mr. Wong Pak Fai Philip	–	26 May 2011	–	100	–	–	–	100
Mr. Zhao Wen Tao	–	27 May 2011	–	85	–	–	–	85
Mr. Chan Chung Keung Jackon	–	12 January 2012	–	735	965	–	–	1,700
Mr. Chung Ming Tru Daniel	–	13 June 2011	–	200	120	–	–	320
Mr. Wong Kwok Wai	–	26 May 2011	–	200	120	–	–	320
Ms. Chan Yim Kum	–	11 January 2012	–	600	620	–	–	1,220
Ms. Tang Man Lai	–	24 March 2011	–	110	30	–	–	140
Mr. Lam Ping Cheung Andrew	–	20 September 2011	–	340	–	–	–	340
Mr. Nee Pei Ching, Henry	28 May 2011	–	–	350	100	–	–	450
Mr. Chan Ka Ming	7 October 2011	–	–	162	–	–	–	162
Mr. Lam Chi Man	5 December 2011	9 January 2012	–	–	–	–	–	–
Mr. Ho Chun Kit	16 January 2012	–	–	–	–	–	–	–
Mr. Tam Chak Chi	9 January 2012	–	–	–	–	–	–	–
Independent non-executive directors:								
Mr. Liu Chun Ning Wilfred	–	29 July 2011	–	–	–	–	–	–
Mr. Tsui Siu Hung	–	10 February 2012	–	145	180	–	–	325
Mr. Tso Chip	–	30 May 2011	–	100	–	–	–	100
Mr. Lee Tao Wai	–	20 February 2012	–	145	150	–	–	295
Mr. Ng Kai Shing	16 August 2011	–	–	68	120	–	–	188
Mr. Jal Nadirshaw Karbhari	5 December 2011	–	–	9	–	–	–	9
Ms. Chan Sze Man	16 February 2012	–	–	–	–	–	–	–
			–	3,349	2,405	–	–	5,754

11. Directors' remuneration *(continued)*

For the year ended 31 December 2010

	Appointed on	Resigned on	Salaries, allowances and benefits in kind HK$'000	Fees HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:								
Mr. Wong Pak Fai Philip	–	26 May 2011	–	–	–	–	–	–
Mr. Chen Jun Nong	–	26 January 2010	–	–	–	–	–	–
Mr. Zhao Wen Tao	–	27 May 2011	–	170	–	–	–	170
Mr. Chan Chung Keung Jackon	–	12 January 2012	–	542	–	170	–	712
Mr. Gao Zhi Wei	–	15 April 2010	–	–	–	–	–	–
Mr. Mak Kai Chun Kevin	–	1 February 2010	–	20	–	–	–	20
Mr. Williamson Lam	–	1 February 2010	–	20	–	–	–	20
Mr. Chung Ming Tru Daniel	–	13 June 2011	–	393	–	170	–	563
Mr. Wong Kwok Wai	–	26 May 2011	–	393	–	170	–	563
Ms. Chan Yim Kum	5 January 2010	11 January 2012	400	–	–	170	12	582
Ms. Tang Man Lai	30 June 2010	29 March 2011	–	90	–	170	–	260
Mr. Lam Ping Cheung Andrew	29 November 2010	20 September 2011	–	64	–	–	–	64
Independent non-executive directors:								
Mr. Liu Chun Ning Wilfred	–	29 July 2011	–	–	–	–	–	–
Mr. Tsui Siu Hung	–	10 February 2012	–	96	–	–	–	96
Mr. Tso Chip	–	30 May 2011	–	–	–	–	–	–
Mr. Lee Tao Wai	–	20 February 2012	–	90	–	–	–	90
			400	1,878	–	850	12	3,140

There was an arrangement under which directors waived remuneration of HK$ nil during the year ended 31 December 2011 (2010: HK$666,000).

During the year ended 31 December 2011, HK$ nil emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2010: HK$nil).

12. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: 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 three (2010: one) individual is as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other emoluments	**3,574**	301
Equity-settled share-based payment expenses	**1,027**	170
Contributions to retirement benefits schemes	**36**	8
	4,637	479

The emolument of the other three (2010: one) with the highest emolument is within the following band:

	2011	2010
	Number of Individuals	Number of individuals
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–

13. Loss attributable to owners of the Company

	2011	2010
	HK$'000	HK$'000
Amount of consolidated loss attributable to owners of the Company dealt with in the Company's financial statements	**(30,490)**	(10,811)
Impairment losses on amounts due from subsidiaries reversed	**–**	2,434
Impairment losses on amounts due from subsidiaries recognised	**(14,488)**	–
Company's loss for the year (Note 29)	**(44,978)**	(8,377)

The consolidated loss attributable to owners of the Company for the year ended 31 December 2011 includes a loss of HK$44,900,000 (2010: loss of HK$10,811,000) which has been dealt with in the financial statements of the Company.

14. Dividends

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

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

The basic loss per share is calculated based on the loss attributable to owners of the Company of HK$50,546,000 (2010: HK$11,720,000) and the weighted average number of 187,107,000 shares (2010: 95,514,000 shares) in issue during the year.

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

16. Property, plant and equipment

The Group:

	Buildings held for own use carried at revalued amount	Land and buildings held for own use carried at cost	Leasehold improvements	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At cost or valuation:							
At 1 January 2010	4,500	–	2,032	98,922	3,868	729	110,051
Additions	–	–	–	5	52	–	57
Exchange realignment	–	–	10	3,445	126	27	3,608
At 31 December 2010 and 1 January 2011	4,500	–	2,042	102,372	4,046	756	113,716
Additions	–	3,550	587	5,103	564	–	9,804
Surplus on valuation	669	–	–	–	–	–	669
Less: elimination of accumulated depreciation	(1,350)	–	–	–	–	–	(1,350)
Exchange adjustments	–	–	13	4,551	167	35	4,766
At 31 December 2011	3,819	3,550	2,642	112,026	4,777	791	127,605

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

The Group:

	Buildings held for own use carried at revalued amount HK$'000	Land and buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation and impairment:							
At 1 January 2010	900	–	1,900	94,092	3,733	654	101,279
Charge for the year	225	–	44	1,116	71	76	1,532
Exchange realignment	–	–	7	3,407	126	26	3,566
At 31 December 2010 and 1 January 2011	1,125	–	1,951	98,615	3,930	756	106,377
Charge for the year	225	25	157	1,400	147	–	1,954
Impairment loss recognised	–	–	–	125	–	–	125
Elimination on revaluation	(1,350)	–	–	–	–	–	(1,350)
Exchange adjustments	–	–	10	4,526	167	35	4,738
At 31 December 2011	–	25	2,118	104,666	4,244	791	111,844
Net carrying amount:							
At 31 December 2011	3,819	3,525	524	7,360	533	–	15,761
At 31 December 2010	3,375	–	91	3,757	116	–	7,339
Analysis of cost or valuation:							
At 31 December 2011							
– At cost	–	3,550	2,642	112,026	4,777	791	123,786
– At valuation	3,819	–	–	–	–	–	3,819
	3,819	3,550	2,642	112,026	4,777	791	127,605
At 31 December 2010							
– At cost	–	–	2,042	102,372	4,046	756	109,216
– At valuation	4,500	–	–	–	–	–	4,500
	4,500	–	2,042	102,372	4,046	756	113,716

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

The Group: *(continued)*

Notes:

(a) Revaluation of properties held for own use

The Group's buildings held for own use carried at revalued amount were revalued as at 31 December 2011 on the basis of its depreciated replacement costs. The valuations were carried out by an independent firm of surveyors, who with recent experience in the location and category of property being valued.

The revaluation surpluses of HK$669,000 (2010: HK$nil) have been recognised in other comprehensive income and accumulated in revaluation reserve of the Group, net of deferred tax of HK$134,000 (2010: HK$nil) (note 26).

Had the buildings held for own use been measured on a historical cost basis, their carrying amount would have been HK$3,150,000 (2010: HK$3,375,000).

(b) The analysis of net carrying amount of properties is as follows:

	GROUP	
	2011	2010
	HK$'000	HK$'000
Medium-term leases		
– in Hong Kong	**3,819**	–
– outside Hong Kong	**3,525**	3,375
	7,344	3,375

	GROUP	
	2011	2010
	HK$'000	HK$'000
Representing:		
Building carried at revalued amount	**3,819**	3,375
Land and building carried at cost	**3,525**	–
	7,344	3,375

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

The Company:

	Leasehold Improvements HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
At cost:			
At 1 January 2010	19	168	187
Additions	–	41	41
At 31 December 2010 and 1 January 2011	19	209	228
Additions	–	84	84
At 31 December 2011	19	293	312
Accumulated depreciation:			
At 1 January 2010	5	58	63
Charge for the year	5	52	57
At 31 December 2010 and 1 January 2011	10	110	120
Charge for the year	5	66	71
At 31 December 2011	15	176	191
Net carrying amount:			
At 31 December 2011	4	117	121
At 31 December 2010	9	99	108

17. Intangible asset

The intangible assets of HK$8,700,000 represented the right to collaborate with Hong Kong Applied Science and Technology Research Institute Company Limited ("ASTRI") on the development of LED lighting driver integrated circuits for solid state lighting ("Intangible asset") through a memorandum of understanding ("MOU") entered between Arnda Semiconductor Limited ("Arnda") and ASTRI for an effective period from March 2011 to June 2011. In the opinion of the directors of the Company, the intangible asset was acquired by the Group through the acquisition of 100% equity interest of Arnda on 28 May 2011 as disclosed in note 37 to the consolidated financial statements. The MOU was then lapsed in June 2011 and a loss of HK$8,700,000 was recognised in the profit or loss.

18. Prepaid land lease payments

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

	2011	2010
	HK$'000	HK$'000
Carrying amount:		
At 1 January	**546**	542
Amortisation during the year	**(17)**	(16)
Exchange adjustment	**25**	20
At 31 December	**554**	546

	2011	2010
	HK$'000	HK$'000
Analysed for reporting purposes as:		
– Current portion	**17**	16
– Non-current portion	**537**	530
	554	546

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. Interest in subsidiaries

	COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**25,000**	25,078
Amounts due from subsidiaries	**89,550**	59,283
	114,550	84,361
Less: Impairment losses	**(93,497)**	(79,087)
	21,053	5,274

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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

20. Inventories

	GROUP	
	2011	2010
	HK$'000	HK$'000
Raw materials	**53**	136
Work in progress	**1,080**	3,146
Finished goods	**3,791**	2,486
	4,924	5,768

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount of inventories sold	**37,903**	26,467
Write down of inventories	**3,296**	299
	41,199	26,766

21. Trade and other receivables

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**7,526**	6,279	**–**	–
Loan receivables *(note (a))*	**3,624**	2,351	**–**	–
Other receivables *(note (a))*	**1,818**	982	**8**	18
Less: Allowance for doubtful debts	**(6,277)**	(990)	**–**	–
	6,691	8,622	**8**	18
Deposit paid to High Court for litigation *(note 33)*	**3,350**	3,350	**3,350**	3,350
Deposits and prepayments	**6,861**	545	**4,607**	520
	16,902	12,517	**7,965**	3,888

21. Trade and other receivables *(continued)*

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

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

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

Movement in allowance for doubtful debts:

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

21. Trade and other receivables *(continued)*

Note:

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

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

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

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

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

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

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

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

21. Trade and other receivables *(continued)*

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

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

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

22. Financial assets at fair value through profit or loss

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value through profit or loss:				
– Equity securities listed in Hong Kong at fair value	**–**	12,819	**–**	12,819

Notes:

(a) 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:

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 production 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%

(b) The amount of HK$ nil (2010: HK$5,480,000) included in the above carrying amount financial assets at fair value through profit or loss was pledged as a collateral for securities trading.

23. Cash and cash equivalents

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**26,740**	3,526	**20,476**	832
Cash and cash equivalents in the statement of financial position	**26,740**	3,526	**20,476**	832
Unsecured bank overdrafts	**(1,779)**	–	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**24,961**	3,526	**20,476**	832

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$475,000 (2010: HK$408,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulation and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. Trade and other payables

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**3,891**	5,963	**–**	–
Other payables and accrued charges	**5,854**	7,967	**1,387**	5,952
	9,745	13,930	**1,387**	5,952

24. Trade and other payables *(continued)*

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

	GROUP	
	2011	2010
	HK$'000	HK$'000
Current	**967**	1,942
31 – 60 Days	**925**	890
61 – 90 Days	**1,862**	2,108
Over 90 Days	**137**	1,023
	3,891	5,963

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

25. Short-term loans

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Repayable on demand	**4,520**	2,831	**4,520**	–
Repayable on 30 June 2011	**–**	4,520	**–**	4,520
	4,520	7,351	**4,520**	4,520

Short-term loans are unsecured and interest free and will be settled once the litigation as set out in note 33 to the consolidated financial statements was finalized.

26. Income tax in the consolidated statement of financial position

Current income tax payable in the consolidated statement of financial position represents:

	GROUP	
	2011	2010
	HK$'000	HK$'000
Provision for the year:		
Hong Kong Profits Tax	**1,932**	1,634
PRC Enterprise Income Tax	**506**	485
	2,438	2,119

Deferred tax

At 31 December 2011, the Group has unused tax losses of approximately HK$54,631,000 (2010: HK$50,324,000) available for offset against future profits against which the losses can be ultilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2011, the Group has deductible temporary differences of approximately HK$39,375,000 (2010: HK$41,418,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

27. Share capital

	Number of share		Share capital	
	2011	2010	**2011**	2010
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.05 (2010: HK$0.05) each *(note a)*	**20,000,000**	20,000,000	**1,000,000**	1,000,000
Issued and fully paid:–				
At the beginning of the year	**141,666**	4,240,000	**7,083**	4,240
Open offer *(note b)*	**–**	1,995,294	**–**	1,995
Share consolidation *(note a)*	**–**	(6,110,588)	**–**	–
Exercise of share options *(note d)*	**7,083**	–	**354**	–
Placing of shares *(note c)*	**63,000**	16,960	**3,150**	848
At the end of the year	**211,749**	141,666	**10,587**	7,083

Notes:

(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."

(b) 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.

27. Share capital *(continued)*

Notes: (continued)

(c) (i) 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.

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

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

(d) During the year, 7,083,000 share options were exercised to subscribe for 7,083,000 new ordinary shares of HK$0.05 each of the Company for a total consideration of HK$6,429,000.

28. Share option scheme

The Company's share option scheme (the "Old 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 Old Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company. The share options may be exercised in accordance with terms of the Old Scheme at any time during the period and in any event not more than 10 years from the date of the grant of the option. The maximum number of shares of the Company in respect of which share options may be granted under the Old 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 Old 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.

On 8 March 2011, a New Share Option Scheme (the "New Scheme") was adopted and the Old Scheme was terminated. Upon termination of the Old Scheme, no further options will be granted thereunder, but the provisions of the Old 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 exercise) granted prior to its termination or otherwise as may be required in accordance with the provisions of the Old Scheme. Options (to the extent not already exercise) granted prior to such termination will continue to be valid and exercisable in accordance with the Old Scheme.

28. Share option scheme *(continued)*

Under the New Scheme, the board of directors of the Company may grant options to eligible full-time or part-time employees (including any executive, non-executive and independent non-executive directors), supplier, customer, shareholder and adviser or consultant of any members of the Group and any person or entity that provides research, development or other technological support to any members of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the New Scheme. The maximum number of shares of the Company in respect of which share options may be granted under the New 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 to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme and New Scheme were 400,000 (2010: n/a) and nil (2010: 8,500,000) respectively, in aggregate representing approximately 0.2% (2010: 6%) of the shares of the Company in issue at that date.

Details of options granted are as follows:

Options type	Date of grant	Exercisable period	Exercise price	Fair value at grant date	Contractual life of options
2010	23/11/2010	23/11/2010 to 21/07/2011	HK$0.772	HK$0.76	0.67 years
2011	24/3/2011	24/3/2011 to 23/3/2021	HK$1.45	HK$0.7246	10 years

In accordance with the terms of the New and Old Scheme, options granted during the financial year ended 31 December 2011 and 2010 are vested at the date of grant.

28. 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	**Option type 2011**
Grant date share closing price	HK$0.76	**HK$1.45**
Exercise price	HK$0.772	**HK$1.45**
Expected volatility	74.414%	**61.334%**
Dividend yield	0%	**0%**
Option life	8 months	**5 years**
Risk-free interest rate	0.293%	**1.759%**

The following table discloses movements of the Company's share options held by employees and directors during the years:

2011:

Participant	Date of grant	Exercise price HK$	Exercise period	At 1/1/2011	Number of options ('000) Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Redescribed during the year	At 31/12/2011
Directors	23/11/2010	0.772	23/11/2010 – 21/7/2011	7,083	–	(4,250)	–	(1,416)	(1,417)	–
Employees	23/11/2010	0.772	23/11/2010 – 21/7/2011	1,417	–	(1,417)	–	(1,417)	1,417	–
	24/3/2011	1.450	24/3/2011 – 23/3/2021	–	1,816	(1,416)	–	–	–	400
				8,500	1,816	(7,083)	–	(2,833)	–	400
Weighted average exercise price (in HK$)				0.772	1.450	0.908	–	0.772	0.772	1.450

28. Share option scheme *(continued)*

2010:

Participant	Date of grant	Exercise price	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
				Number of options ('000)					
		HK$							
Directors	23/11/2010	0.772	23/11/2010 – 21/7/2011	–	7,083	–	–	–	7,083
Employees	23/11/2010	0.772	23/11/2010 – 21/7/2011	–	1,417	–	–	–	1,417
				–	8,500	–	–	–	8,500
Weighted average exercise price (in HK$)				–	0.772	–	–	–	0.772

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.61 (2010: not applicable).

For the unexpired and unexercised share options at the end of the reporting period, each option entitles the holder to subscribe for one ordinary share in the Company.

Share options outstanding at the end of the year

The share options outstanding at the end of the year had an exercise price of HK$1.45 (2010: HK$0.772), and a weighted average remaining contractual life of 9.2 years (2010: 0.6 year).

29. Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	7,984	–	(21,537)	(13,553)
Loss and total comprehensive expense for the year	–	–	(8,377)	(8,377)
Total comprehensive expense for the year	–	–	(8,377)	(8,377)
Issue of shares *(note 27)*	26,276	–	–	26,276
Recognition of equity-settled share-based payment (*note 28)*	–	1,020	–	1,020
At 31 December 2010 and at 1 January 2011	34,260	1,020	(29,914)	5,366
Loss and total comprehensive expense for the year	–	–	(44,978)	(44,978)
Total comprehensive expense for the year	–	–	(44,978)	(44,978)
Share issued under placement, net of issuing cost of HK$1,935,000	65,265	–	–	65,265
Recognition of equity-settled share-based payment	–	1,393	–	1,393
Shares issued exercise of share options	7,841	(1,766)	–	6,075
Lapse of share options	–	(340)	340	–
At 31 December 2011	107,366	307	(74,552)	33,121

29. Reserves *(continued)*

Nature and purpose of reserves

(a) Share premium

The application of the share premium account is governed by the Company Act 1981 of Bermuda.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(s).

(c) Share-based payment reserve

The share-based payment reserve related to share options granted by the Company to its directors and employees under its share option scheme. Further information about the equity-settled share-based payments under the Company's share option scheme is set out in note 28.

(d) Convertible bonds reserve

The convertible bonds reserve comprises the value of the unexercised equity component of convertible notes issued by the Group.

(e) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings held for own use in note 4(f).

The revaluation reserve of the Company is distributable to the extent of HK$535,000 (2010: HK$nil).

30. 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:

30. Related party transactions *(continued)*

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

	GROUP	
	2011	2010
	HK$'000	HK$'000
Short-term benefits	**7,524**	2,278
Post-employment benefit	**12**	12
Share-based payments	**–**	850
	7,536	3,140

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

(b) Transactions with entities where director is interested therein

	GROUP	
	2011	2010
	HK$'000	HK$'000
Legal and professional fee	**–**	467
Deposit paid	**–**	33
	–	500

The above balances were incurred with a firm of Solicitor, Messrs. Lam & Co, for the purpose of legal advisory services up to 20 September 2011. Mr. Lam Ping Cheung Andrew, a former chairman and executive director of the Company, is a partner therein.

31. Commitments

(a) Operating lease commitments

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

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	'000	'000	**HK$'000**	HK$'000
Premises:				
Within 1 year	**1,480**	681	**283**	681
After 1 year but within 5 years	**920**	283	**–**	283
	2,400	964	**283**	964

(b) Capital commitments

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

	2011	2010
	HK$'000	HK$'000
Capital contribution to a joint venture company	**–**	4,709
Proposed acquisition of subsidiaries	**–**	235
	–	4,944

32. Contingent liabilities

The Company has previously entered into a joint venture ("JV") agreement with 內蒙古鑫省商貿有限公司 (Nei Meng Gu Xin Rui Sheng Mao Co. Ltd) ("Xin Rui") on 28 April 2009 and a supplemental agreement with Xiu Rui, Mr. Ouyang and others on 23 March 2010, pursuant to which Chances (H.K.) Holdings Limited (a wholly-owned subsidiary of the Company) ("Chances HK") would acquire 20% equity interest from Mr. Ouyang in a JV company at the consideration of RMB1,200,000 (equivalent to approximately HK$1,400,000). The transaction was not completed as the Company has not paid any consideration and owing to the unsatisfactory performance of the JV Company, on 15 June 2011, the Company signed a termination agreement with Mr. Ouyang to terminate the acquisition of his 20% equity interest in the JV Company. The registered share capital of the JV Company was RMB20,000,000. In the opinion of the directors after consulting the PRC lawyer and obtained a legal opinion from the PRC lawyer; the Group has ground to discharge all liabilities (including the RMB1,200,000 consideration and RMB2,800,000 capital injection). Therefore, the directors are of the opinion that no provision is required for the unpaid registered capital. However, should there be a claim made by Xiu Rui against Mr. Ouyang to pay up the registered capital and that Mr. Ouyang was unable to satisfy the claim, the Company might be liable to fulfil the obligation.

33. Litigation

(a) 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 and a sum of HK$3,350,000 was paid into the Court as a condition for the said injunction order obtained against iReady.

As at 31st December 2011, both parties to the legal proceedings have not taken any further step and the iReady case was not and has not yet been settled.

(b) On 30 December 2010, the Company entered into the warrant subscription agreement ("Agreement") with Equity Reward Limited ("the Subscriber"), a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Lam Ping Cheung Andrew, the former chairman and executive director of the Company. The warrant subscription, agreement was subsequently amended by supplemental agreements dated 14 February 2011 and 31 March 2011 respectively.

Pursuant to the Agreement, the Company has conditionally agreed to issue and the Subscriber has agreed to subscribe for 28,000,000 non-listed warrants of the Company at the warrant issue price of HK$0.05 per warrant. Each warrant entitles the holder thereof to subscribe for one ordinary share of the Company at the warrant subscription price of HK$0.81 per share.

On 3 August 2011, the Subscriber tendered the warrant issue price of HK$1,400,000 to the Company. However no warrant was issued by the Company. On 8 September 2011, the Subscriber commenced the court proceedings in the High Court against the Company claiming for the issue and delivery of the warrants.

After obtaining the senior counsel's opinion, the Company and the Subscriber entered into the deed of settlement on 1 March 2012 and the Company issued all 28,000,000 to the Subscriber on the same date.

On March 14, 2012, the Company was named as one of the defendants and other defendants are current and former directors of the Company in a litigation. The allegations were focused on the validity of the issuance of warrants and share options in March 2012. Amounts of claims and damages had not been mentioned in the writ. The Company had appointed a legal adviser to deal with this allegation. In the view of the directors, the allegation would not have any financial impact to the financial statements.

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

34. Events after the reporting period

(i) On 6 March 2012, Excel Energy Holdings Limited, a wholly owned subsidiary of the Company, and Mr. Tam Wing Yuen entered into a sale and purchase agreement in relation to the acquisition of 100% issued share capital of Fullway (China) Limited, which in return indirectly holds a residential property location in the PRC. The consideration of the acquisition amounted to HK$15,000,000 and will be satisfied by the issue of promissory note of equivalent.

Details of the above were set out in the Company's announcement dated 7 March 2012.

(ii) On 7 March 2012, a total of 12,300,000 share options to subscribe for 12,300,000 ordinary shares at par value of HK$0.05 each of the Company (the "Share Options") were supposed to be granted to 8 employees (the "Grantees") subject to the acceptance of the Grantees by the Company pursuant to the share option scheme adopted by the Company on 8 March 2011.

Details of the above were set out in the Company's announcements dated 7 March 2012.

On 16 March 2012, the Company notified each of the Grantees that the offer of the Share Options had been withdrawn with immediate effect. Since as at 16 March 2012, none of the Grantees had accepted the Share Options, none of the Share Options have been granted to the Grantees.

35. Financial instrument

(a) Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Fair value through profit or loss Marketable securities	**–**	12,819
Loans and receivables		
Trade and other receivables	**16,902**	12,517
Cash and bank balances	**26,740**	3,526
	43,642	16,042
Financial liabilities at amortised cost		
Bank overdraft	**1,779**	–
Trade and other payables	**9,745**	13,930
Short-term loans	**4,520**	7,351
	16,044	21,281

(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 and short-term loans. Details of these financial instruments are disclosed in respective notes. The risks 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.

35. Financial instrument *(continued)*

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

Market risk

Foreign currency risk

Certain subsidiaries of the Group have foreign currency sales and purchases, certain trade and other receivables and trade and other payable 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**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**3,075**	4,492	**2,787**	1,157
JYP	**6**	6	**–**	–
CHF	**797**	1,454	**92**	–
EUR	**4**	4	**303**	563

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 end of the reporting period 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.

35. Financial instrument *(continued)*

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

Market risk *(continued)*

Foreign currency risk (continued)

	2011	2010
	HK$'000	HK$'000
RMB	**2**	28
JYP	**–**	–
CHF	**6**	12
EUR	**(2)**	(28)

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 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to 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 0.8% (2010: 13%) and 23.8% (2010: 74%) of the total trade receivables are due from the Group's largest customer and the five largest customers within the 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.

35. Financial instrument *(continued)*

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

Liquidity risk management

In managing 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 fund raising activities and borrowings from certain shareholders as a significant source of liquidity.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with 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. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 December 2011 HK$'000
2011					
Non-derivative financial assets					
Trade and other receivables	5,869	11,033	–	16,902	16,902
Cash and bank balances	26,740	–	–	26,740	26,740
	32,609	11,033	–	43,642	43,642
Non-derivative financial liabilities					
Bank overdraft	1,779	–	–	1,779	1,779
Trade and other payables	9,609	137	–	9,746	9,746
Short-term loans	4,520	–	–	4,520	4,520
	15,908	137	–	16,045	16,045

35. Financial instrument *(continued)*

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

Liquidity tables *(continued)*

	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 December 2010 HK$'000
2010					
Non-derivative financial assets					
Trade and other receivables	12,311	–	205	12,516	12,516
Cash and bank balances	3,526	–	–	3,526	3,526
	15,837	–	205	16,042	16,042
Non-derivative financial liabilities					
Trade and other payables	13,930	–	–	13,930	13,930
Short-term loans	2,831	4,520	–	7,351	7,351
	16,761	4,520	–	21,281	21,281

(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 is determined based on the valuation provided by counterparty financial institutions for equivalent instruments.

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

35. Financial instrument *(continued)*

(d) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period 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: *(highest level)* — 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: *(lowest level)* — fair values measured using valuation techniques in which any significant input is not based on observable market data

At the end of the reporting period, the Group and the Company did not hold any held the following financial instruments measured at fair value. For the year ended 31 December 2011, the Group and the Company does not held any financial instruments measured at fair value.

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Financial assets at FVFTPL				
– Equity securities listed in Hong Kong	12,819	–	–	12,819
Total	12,819	–	–	12,819

During the year ended 31 December 2011 and 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

36. 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 shareholders' 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 2011 and 2010.

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	
	2011	2010
	HK$'000	HK$'000
Trade and other payables (note 24)	**9,745**	13,930
Short-term loans (note 25)	**4,520**	7,351
Less: Cash and bank balance (note 23)	**(24,961)**	(3,526)
Net debt	**(10,694)**	17,755
Equity attributable to the owners of the Company	**46,265**	19,115
Total capital	**46,265**	19,115
Capital and net debt	**35,571**	36,870
Gearing ratio	**N/A**	48.2%

37. Acquisition of assets and liabilities through acquisition of a subsidiary

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

As at the date of acquisition by the Group, Arnda was in the stage of research and product development and held an intangible asset as stated in note 17 to the consolidated financial statements. Accordingly, this acquisition is accounted for as assets acquisition.

37. Acquisition of assets and liabilities through acquisition of a subsidiary

(continued)

Purchase consideration transferred

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

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

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

Net cash outflow on acquisition of Arnda

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

37. Acquisition of assets and liabilities through acquisition of a subsidiary *(continued)*

Net cash outflow on acquisition of Arnda *(continued)*

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

38. Disposal of subsidiaries

On 28 January 2010, the Group disposed of Seamless Green China (BVI) Limited and its subsidiary at cash consideration of HK$8.

Consideration received

	2011	2010
	HK$'000	HK$'000
Consideration received in cash and cash equivalent	**–**	–
Total consideration received	**–**	–

Analysis of assets and liabilities over which control was lost

	28 January 2010
	HK$'000
Current Assets	
Cash and bank balances	4
Current Liabilities	
Other payables	(47)
Amount due to shareholders	(404)
Net liabilities of disposal group	(447)

Gain on disposal of subsidiaries

	2010
	HK$'000
Consideration received and receivable	–
Net liabilities disposed of	447
Gain on disposal	447

38. Disposal of subsidiaries *(continued)*

Net cash outflow on disposal of subsidiaries

	2010 HK$'000
Consideration received in cash and cash equivalents	–
Less: cash and cash equivalent balances disposed of	(4)
Gain on disposal	(4)

39. Particulars of principal subsidiaries

Particulars of the principal subsidiaries of the Company at 31 December 2011 and 2010 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 Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Principal activities
Oriental Light (Holdings) Limited	The British Virgin Island (the "BVI")	HK$25,000,000	**100%**	100%	**–**	–	Investment 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
福清連誠精密加工有限公司[#]	The PRC	HK$7,530,000	**–**	–	**100%**	100%	Properties holding
Principle Industries Limited	BVI	US$ 1	**–**	–	**100%**	100%	Investment holding
Superjet Technologies Limited	Hong Kong	HK$2	**–**	–	**100%**	100%	Investment holding and trading of optoelectronic products
Fujian Superjet Technologies Company Limited[#]	The PRC	US$ 7,100,000	**–**	–	**100%**	100%	Manufacturing and trading of ferrules
Arnda Semiconductor Limited	Hong Kong	HK$100,000	**–**	–	**100%**	–	Integrated circuits and software development and reselling business
Celta (HK) Company Limited	Hong Kong	HK$1	**–**	–	**100%**	–	Wholesaling and retailing of fashion

39. Particulars of principal subsidiaries *(continued)*

Particulars of the principal subsidiaries of the Company at 31 December 2011 and 2010 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		
			2011	2010	**2011**	2010	
HPE Company Limited	Hong Kong	HK$1	**–**	–	**100%**	–	Trading of cosmetics
Fujian Superjet Technologies Company Limited[#]	The PRC	US$7,100,000	**–**	–	**100%**	100%	Manufacturing and trading of ferrules
Billion Sky Investment Limited	BVI	US$ 1	**100%**	100%	**–**	–	Investment holding
Rich Point International Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Trading of liquor
Good Faith Financial Group Limited	BVI	US$ 1	**100%**	100%	**–**	–	Investment holding
Good Return (BVI) Limited	BVI	US$ 1	**–**	–	**100%**	100%	Investment holding
Boom Creation Limited	BVI	US$ 1	**100%**	100%	**–**	–	Dormant
Chances (B.V.I.) Holdings Limited	BVI	US$ 1	**100%**	100%	**–**	–	Dormant
Chances (H.K.) Holdings Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding

[#] The Companies were wholly foreign owned enterprises in the PRC

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

40. Approval of the financial statements

The financial statement were approved and authorised for issue by the board of directors on 16 March 2012.

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				
	2011	2010	2009	2008	2007
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Loss attributable to owners	**(50,546)**	(11,720)	(3,081)	(7,284)	(3,748)

	2011	2010	2009	2008	2007
Assets and liabilities	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**64,881**	42,515	19,249	23,195	29,876
Total liabilities	**(18,616)**	(23,400)	(18,788)	(22,478)	(28,313)
Owners' equity	**46,265**	19,115	461	717	1,563