



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



First Quarterly Report 2012



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

## HIGHLIGHTS

1. The Group has recorded total turnover of approximately HK\$8,481,000 for the three months ended 31 March 2012.
2. The Group has recorded a net loss attributable to owners of the Company for the three months ended 31 March 2012 of approximately HK\$15,492,000, representing a basic loss per share of HK cents 7.06.
3. The directors do not recommend the payment of a dividend for the three months ended 31 March 2012.

## QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Seamless Green China (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 31 March 2012 together with the unaudited comparative figures for the corresponding period in 2011, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Three months ended	
		31 March	
		2012	2011
	Note	HK\$'000	HK\$'000
Turnover	2	<b>8,481</b>	12,675
Cost of sales		<b>(6,867)</b>	(10,747)
Gross profit		<b>1,614</b>	1,928
Other income and gains		<b>103</b>	802
Gain on disposal of subsidiaries		<b>524</b>	–
Loss on disposal of financial assets at fair value through profit or loss		–	(391)
Operating expenses			
Selling and distribution costs		<b>(520)</b>	(386)
Administrative and other operating expenses		<b>(17,170)</b>	(7,725)



	<i>Note</i>	<b>Three months ended</b>	
		<b>2012</b>	<b>2011</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Operating loss		<b>(15,449)</b>	(5,772)
Finance costs		<b>(25)</b>	(27)
Loss before taxation		<b>(15,474)</b>	(5,799)
Income tax expense	3	<b>(18)</b>	(2)
Loss for the quarter		<b>(15,492)</b>	(5,801)
Other comprehensive income:			
Exchange differences on translating foreign operations		<b>–</b>	(73)
Total comprehensive income for the quarter		<b>(15,492)</b>	(5,874)
Loss attributable to equity shareholders of the Company		<b>(15,492)</b>	(5,801)
Total comprehensive income attributable to equity shareholders of the Company		<b>(15,492)</b>	(5,874)
Loss per share	4		
Basic – for the quarter		<b>(7.06 cents)</b>	(4.07 cents)
Diluted – for the quarter		<b>N/A</b>	N/A

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the three months ended 31 March 2012

	Share capital	Share premium reserve	Revaluation reserve	Warrant reserve	Exchange reserve	Share-based payment reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2011	7,083	34,260	-	-	1,741	1,020	(24,989)	19,115
Loss for the quarter	-	-	-	-	-	-	(5,801)	(5,801)
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	-	-	(73)	-	-	(73)
Total comprehensive income for the quarter	-	-	-	-	(73)	-	(5,801)	(5,874)
Recognition of equity-settled share-based payments	-	-	-	-	-	1,316	-	1,316
Option lapsed	-	-	-	-	-	(170)	170	-
Issue of shares:-								
– option exercised	283	5,052	-	-	-	(1,537)	1,537	5,335
– placing of shares	1,400	17,710	-	-	-	-	-	19,110
As at 31 March 2011	<u>8,766</u>	<u>57,022</u>	<u>-</u>	<u>-</u>	<u>1,668</u>	<u>629</u>	<u>(29,083)</u>	<u>39,002</u>
As at 1 January 2012	<b>10,587</b>	<b>107,366</b>	<b>535</b>	<b>-</b>	<b>2,665</b>	<b>307</b>	<b>(75,195)</b>	<b>46,265</b>
Loss for the quarter	-	-	-	-	-	-	15,492	15,492
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter	-	-	-	-	-	-	(15,492)	15,492
Issue of warrants	-	-	-	1,400	-	-	-	1,400
Recognition of equity-settled share-based payments	-	-	-	-	-	1,767	-	1,767
Issue of shares:								
– warrants exercised	1,150	18,630	-	(1,150)	-	-	-	18,630
As at 31 March 2012	<u>11,737</u>	<u>125,996</u>	<u>535</u>	<u>250</u>	<u>2,665</u>	<u>2,074</u>	<u>(90,687)</u>	<u>52,570</u>



## NOTES TO FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

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

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual accounts for the year ended 31 December 2011. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 January 2012. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group's accounting policies.

### 2. Turnover

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

### 3. Income tax expense

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

		<b>Three months ended 31 March</b>	
		<b>2012</b>	2011
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax	<i>(i)</i>	<b>18</b>	2
Overseas profits tax	<i>(ii)</i>	—	—
		<b>18</b>	2

*Notes:*

- (i) Hong Kong profits tax has been provided for in the financial statements at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong in the period.
  - (ii) Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period.
- (b) There are no material unrecognized deferred tax assets and liabilities for the period.

**4. Loss per share**

The calculation of basic loss per share for three months ended 31 March 2012 is based on the Group's loss attributable to equity shareholders of the Company for the period of approximately HK\$15,492,000 (2011: approximately HK\$5,801,000) and on the weighted average number of 219,415,839 (2011: 142,665,880).

For three months ended 31 March 2012 and 2011 diluted loss per share has not been disclosed as the potential shares arising from the exercise of the Company's share options and warrants would decrease the loss per share of the Group for the period and is regarded as anti-dilutive.

**5. Commitments****(a) Capital commitments**

At 31 March 2012, the Group had capital commitments contracted but not provided for in the financial statements as follows:

	<b>Unaudited</b>	
	<b>As at 31 March</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Capital contribution to a wholly-owned company	–	4,709
Proposed acquisition of subsidiaries	<b>15,000</b>	235
	<b>15,000</b>	4,944



**(b) Commitments under operating leases**

At 31 March 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Unaudited 31 March</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>113</b>	681
In the second to fifth year inclusive	—	113
	<b>113</b>	794

**6. Contingent liabilities**

At 31 March 2012, the Group had no material contingent liabilities (31 March 2011: Nil).

**7. Subsequent events**

On 10 April 2012, Peace Blue Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement (the "Agreement") with Mr. Zhi Yujie and Ms. Wong Tak Tei ("Vendor") to acquire 51% of the issued share capital of Upper Grand Limited at a consideration of HK\$30,000,000 ("the Acquisition").

Via the Acquisition, the Company will indirectly owned 6 retail shops in the People's Republic of China ("PRC") for selling of kitchen cabinets.



## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2012 (2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period the Group recorded an decrease in turnover as compared to previous corresponding period. The Group enlarged loss attributable to equity shareholders of the Company for the three months ended 31 March 2012 as compared to the corresponding period in 2011. The turnover was approximately HK\$8,481,000 (2011: approximately HK\$12,675,000), representing a decrease of 33.1% as compared to the same period in last year. The decrease in turnover was mainly due to the decrease in market demand in the watch sector as compared to last year. Loss attributable to equity shareholders of the Company for the three months ended 31 March 2012 was approximately HK\$15,492,000 (2011: approximately HK\$5,801,000).

During the period, the Company was 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 tracking and development.

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 and 28 March 2012.



## **WARRANTS**

During the year, the Company has issued 28,000,000 warrants at an issue price of HK\$0.05 per warrant which attaching the rights to subscribe for 28,000,000 ordinary shares of the Company at a subscription price of HK\$0.81 per share to Equity Reward Limited. Details of the warrants are set out in the announcement dated 5 March 2012.

During the period ended 31 March 2012, 23,000,000 warrants have been exercised.

## **FINANCIAL REVIEW**

The Group's unaudited consolidated turnover for the three months ended 31 March 2012 was approximately HK\$8,481,000 representing a decrease of approximately HK\$4,194,000 or 33.1% for the same period of last year. Decrease in turnover was mainly due to the decrease in market demand.

Operating expenses for the three months ended 31 March 2012 were approximately HK\$17,170 representing an increase of approximately HK\$9,445 or 122.3% for the same period of last year. Increase in operating expenses was mainly due to the increase in legal and professional fee of approximately HK\$2,260 and increase in the staff costs of approximately HK\$5,624 during the period.

### **Sapphire watch crystals division**

The turnover of the sapphire watch crystals for the three months ended 31 March 2012 was approximately HK\$7,077,000 (2011: approximately HK\$8,690,000) representing a decrease of approximately HK\$1,613,000 which was mainly due to decrease in the market demand.

### **Optoelectronics products division**

The Group's optoelectronics products division recorded a turnover of approximately HK\$581,000 for the three months ended 31 March 2012 (2011: approximately HK\$1,453,000) representing a decrease of approximately HK\$872,000. Decrease in sales was mainly due to decrease in market demand.

### **Liquor products division**

No turnover is recorded for the three months ended 31 March 2012 (2011: HK\$2,532,000).



### **Integrated circuits and embedded software trading and development division**

The Group recorded a turnover of approximately HK\$351,000 for the three months ended 31 March 2012 (2011: Nil).

### **Wholesaling and retailing of fashions and cosmetic division**

The Group recorded a turnover of approximately HK\$472,000 for the three months ended 31 March 2012 (2011: Nil).

### **Foreign Exchange**

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

### **Material acquisitions and disposal of subsidiaries and affiliated companies**

During the period, the Group disposed certain subsidiaries which resulted in a gain on disposal of approximately HK\$524,000. Save as above, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies.

## **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.



On 10 April 2012, Peace Blue Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement (the “Agreement”) with Mr. Zhi Yujie and Ms. Wong Tak Tei (“Vendor”) to acquire 51% of the issued share capital of Upper Grand Limited at a consideration of HK\$30,000,000 (“the Acquisition”).

Via the Acquisition, the Company will indirectly own 6 retail shops in the People’s Republic of China (“PRC”) for selling of kitchen cabinets.

The Board is confident that given the continuous booming of the economy and urbanization in the PRC, together with the growth in the property market in the PRC, there will be a long-term and growing demand for kitchen cabinets with high quality and good reputation. Therefore, the Board considers that the Acquisition will diversify the Group’s business and broaden its income base as a long-term business investment.

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.

## **SHARE OPTION SCHEME**

Under the share option scheme (“New scheme”) adopted by the Company on 8 March 2011, 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.

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
2011	24/3/2011	24/3/2011 to 23/3/2021	HK\$1.45	HK\$0.7246	9 years
2012	19/3/2012	19/3/2012 to 18/3/2013	HK\$0.95	HK\$0.1436	1 years

The following table discloses movements of the Company's share options held by employees and directors during the period ended 31 March 2012:

### 2011:

Participant	Date of grant	Exercise price HK\$	Exercise period	Number of options ('000)					At 31/3/2012	
				At 1/1/2012	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period		Redescribed during the period
Directors	-	-	-	-	-	-	-	-	-	
Employees	24/3/2011	1.450	24/3/2011 – 23/3/2021	400,000	-	-	-	-	-	400,000
	19/3/2012	0.95	19/3/2012 – 18/3/2013	-	12,300,000	-	-	-	-	12,300,000
				400,000	12,300,000	-	-	-	-	12,700,000

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2012, save as disclosed in 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 March 2012, 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 5)
Good Capital Resources Limited (Note 1)	Beneficial owner	16,645,882	–	Long Position	7.09%
Tang Man Lai (Note 1)	Interest in a controlled corporation	16,645,882	–	Long Position	7.09%
iReady360 Media Networks Limited (Notes 2 & 3)	Beneficial owner	15,202,800	–	Long Position	6.48%
Ng Wai Lok, Raylot (Notes 2 & 3)	Interest in a controlled corporation	15,202,800	–	Long Position	6.48%
Glory Full Investments Limited (Note 4)	Beneficial owner	15,000,000	–	Long Position	6.39%
Luo Chunyu (Note 4)	Interest in a controlled corporation	15,000,000	–	Long Position	6.39%



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. Mr. Luo Chunyu is the controlling shareholder of Glory Full Investments Limited.
5. The percentage is calculated based on 234,749,172 shares in issue as at 31 March 2012.

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 March 2012, 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 March 2012, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.



## **PURCHASE, SALE, REDEMPTION OR CANCELLATION OF SHARES BY THE COMPANY AND/OR SUBSIDIARIES**

Neither the Company nor its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's shares during the three months ended 31 March 2012.

## **DIRECTORS' SECURITIES TRANSACTION**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period ended 31 March 2012.

## **COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE**

For the three months ended 31 March 2012, the Company fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules.

## **COMPETING INTERESTS**

During the three months ended 31 March 2012, none of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.



## AUDIT COMMITTEE

As required by Rule 5.28 of the GEM Listing Rules, the Company 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. The audit committee comprises three independent non-executive directors, namely Mr. Jal Nadirshaw Karbhari (Chairman), Mr. Ng Kai Shing and Ms. Chan Sze Man.

The Company's financial statements for the three months ended 31 March 2012 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 GEM Listing Rules.

By Order of the Board

**Chan Ka Ming**

*Chairman*

Hong Kong, 15 May 2012

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

- (1) Mr. Chan Ka Ming, as an executive director;
- (2) Mr. Nee, Henry Pei Ching, as an executive director;
- (3) Mr. Ho Chun Kit Geogory, as an executive director;
- (4) Mr. Tam Chak Chi, as an executive director;
- (5) Mr. Ng Kai Shing, as an independent non-executive director;
- (6) Mr. Jal Nadirshaw Karbhari, as an independent non-executive director; and
- (7) Ms. Chan Sze Man, as an independent non-executive director.