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 2012

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

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CORPORATION INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and principal place of business	Unit D, 6/F., Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong
Executive Directors	Mr. Nee, Henry Pei Ching Mr. Ho Chun Kit Gregory Mr. Xu Xuefeng Mr. Lau Tao Hung Henry Mr. Lee Tat Wing Mr. Kwan Pak Ming
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. Jal Nadirshaw Karbhari Ms. Chan Sze Man
Nomination Committee	Mr. Ng Kai Shing *(Chairman)* Mr. Jal Nadirshaw Karbhari Ms. Chan Sze Man
Legal Advisor	Keith Lam Lau & Chan, Solicitors

CORPORATION INFORMATION

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	Elite Partners 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 2012.

RESULTS

During the year under review, the Group recorded revenue of approximately HK$27 million (2011: HK$47.1 million), representing a decrease of approximately 42.63% against the prior year. Net loss attributable to the owners of the Company amounted to approximately HK$58.3 million (2011: HK$50.5 million), representing an increase of loss of approximately 15.46% as compared to the corresponding period in 2011. Basic loss per share for the year was HK22.63 cents (2011: HK27.01 cents).

BUSINESSES

The principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor and fashion, integrated circuits and software trading and development and investment holding.

Synthetic Sapphire Watch

The turnover of the sapphire watch crystals for the year ended 31 December 2012 and 2011 were amounted to HK$22.5 million and HK$34.8 million respectively, representing a decrease of approximately 35.4% over the corresponding period in 2011. The decrease in turnover is mainly due to the decrease in the market demand.

Optoelectronic Product

The sales of optoelectronic products division for the year ended 31 December 2012 and 2011 were amounted to HK$3.5 million and HK$6.3 million respectively, representing a decrease of approximately 44.8% over the corresponding period in 2011. The decrease in turnover is mainly due to the decrease in the market demand.

Liquor Product

Sales from the liquor products division for the year ended 31 December 2012 and 2011 were amounted to HK$0.2 million and HK$3.5 million respectively, representing a decrease of approximately 94.3% over the corresponding period in 2011. The decrease in turnover is mainly due to the decrease in the market demand.

Integrated Circuits and Embedded Software Trading and Development

The sales of integrated circuits and embedded software development and reselling for the year ended 31 December 2012 and 2011 were amounted to HK$0.4 million and HK$1.8 million respectively, representing a decrease of approximately 80% over the corresponding period in 2011.

Wholesaling and Retailing /of Fashions

Turnover of the wholesaling and retailing of fashions division for the year ended 31 December 2012 and 2011 were amounted to HK$0.5 million and HK$0.6 million respectively, representing an decrease of approximately 20.5% over the corresponding period in 2011. However, owing to the unsatisfactory performance of the wholesaling and retailing of fashions, this segment ceased operations during the year.

CHAIRMAN'S STATEMENT

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 23 January 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company has completed the acquisition of 28% issued share capital of Neo Partner Investments Limited, which indirectly holds a subsidiary engaged in the business of distribution of smart products in the PRC. The consideration of the acquisition was to HK$23,800,000 and will be satisfied by cash and the issue of promissory note.

On 5 March 2013 the Company entered into the Memorandum Of Understanding ("MOU") with Zhong Ba Xing Ye in relation to the Possible Cooperation in developing a Business-ta-consumer commerce platform under the E-Commerce Project within the rural towns and cities of the PRC.

On 6 March 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company and Great China Media Holdings Limited entered into a sale and purchase agreement in relation to the acquisition of 45% issued share capital of Full Pace Holdings Limited, which indirectly holds a subsidiary engaged in the license and concessionary advertising business in the mass public transportation systems in the Hong Kong and the distribution of Stratospheres within the territory of the PRC, Hong Kong and Macau, The consideration of the acquisition amounted was HK$50,000,000 and will be satisfied by the issue of promissory note.

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.

Ho Chun Kit Gregory
Executive Director
28 March 2013

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2012 decreased by HK$20.1 million; cost of sales decreased by HK$17.6 million. Gross profit margin increased to 12.7% for the year ended 31 December 2012 from 12.4% for the year ended 31 December 2011.

Net loss attributable to shareholders amounted to approximately HK$58.3 million (2011: HK$50.5 million). Basic loss per share for the year was HK22.6 cents (2011: HK27.0 cents).

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the year ended 31 December 2012 decreased by HK$12.3 million. Cost of sales of the sapphire watch crystals during the same year decreased by HK$9.7 million.

Turnover generated from European customers decreased to HK$14.8 million for the year ended 31 December 2012, representing a decrease of approximately 55.8% from that of HK$33.5 million generated from the year ended 31 December 2011. Sales to customers in Taiwan decreased to HK$0.03 million for the year ended 31 December 2012, representing a decrease of approximately 76.4% from that of HK$0.1 million for the year ended December 2011. Turnover from Hong Kong customers increased to HK$8.3 million for the year ended 31 December 2012, representing an increase of approximately 29.7% from that of HK$6.4 million generated for the year ended 31 December 2011.

Optoelectronics products division

The sales of ferrules for the year ended 31 December 2012 and 2011 were amounted to HK$3.5 million and HK$6.3 million respectively. Cost of sales for the corresponding periods were HK$3.3 million and HK$6.5 million respectively.

Liquor products division

Sales from the liquor products division for the year ended 31 December 2012 and 2011 were amounted to HK$0.2 million and HK$3.5 million respectively. Cost of sales in for the year ended 31 December 2012 and 2011 were amounted to HK$0.2 million and HK$3.2 million respectively.

Integrated circuits and embedded software trading and development division

The sales of integrated circuits and embedded software development and reselling for the year ended 31 December 2012 (2011: HK$1.8 million) was amounted to HK$0.4 million, primarily arising from reselling of educational software applications. Cost of sales for the corresponding year was HK$0.01 million. (2011: HK$0.02 million).

Wholesaling and retailing of fashions division

The turnover of the wholesaling and retailing of fashions was amounted to HK$0.5 million for the year ended 31 December 2012 (2011: HK$0.6 million). Cost of sales for the corresponding year was HK$0.1 million (2011: HK$0.21 million).

Other income and gains

Other income and gains for the year ended 31 December 2012 amounted to HK$1.3 million, representing a decrease of approximately 34.8% from that of HK$1.9 million generated from the year ended 31 December 2011. This was mainly due to decrease in net foreign exchange gain by HK$1.4 million.

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

Selling and distribution costs for the year ended 31 December 2012 amounted to approximately HK$1.5 million. This represents a decrease of approximately HK$1.4 million from that recorded for the year ended 31 December 2011.

Total administrative and operating expenses were approximately HK$56.7 million for the year ended 31 December 2012 (2011: HK$38.1 million).

The increase in the total administrative and operating expenses was mainly attributable to the increase in the legal and professional fee and increase in staff costs to cope with the Group's business expansion and diversification for the year ended 31 December 2012.

Financial resources and liquidity

The Group's shareholders' funds were increased to approximately HK$50.8 million as at 31 December 2012 (2011: HK$46.3 million). Current assets amounted to approximately HK$32.0 million as at 31 December 2012 (2011: HK$48.6 million), of which approximately HK$3.7 million (2011: HK$26.7 million) was cash and bank balances and approximately HK$22.3 million (2011: 16.9) was trade and other receivables.

As at 31 December 2012, the Group's total borrowings amounted to approximately HK$56.4 million (2011: HK$6.3 million), of which HK$3 million (2011: HK$6.3 million) were short-term borrowings repayable within one year.

The Group's gearing ratios as at 31 December 2012 was 56.1% (2011: N/A). 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 2012, 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 2012, the Group had not hedged any foreign currency sales to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

At 31 December 2012, the Group had no material contingent liabilities.

Capital structure

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 were set out in the announcement dated 5 March 2011. During the year, 23,000,000 warrants were exercised.

During the year, 7,042,476 ordinary shares of HK$0.05 were issued in respect of the exercise of share option by employees under the share option scheme.

On 5 July 2012, 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 23,500,000 placing shares at HK$0.395 per placing share. All the placing shares were issued and allotted on 18 July 2012.

On 20 July 2012, 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 23,440,000 placing shares at HK$0.31 per placing share. All the placing shares were issued and allotted on 3 August 2012.

On 29 October 2012, a placing agreement was entered into between the Company and the placing agent, pursuant to which the Company has appointed the placing agent to procure altogether not less than six placees, on a best effort basis, for subscribing up to an aggregate of 57,740,000 Placing Shares at HK$0.40 per Placing Share. During the year, 38,000,000 placing shares were issued and allotted on 15 November 2012.

On 20 November 2012, a placing agreement was entered into between the Company and the placing agent, pursuant to which the Company has appointed the placing agent to procure altogether not less than six placees, on a best effort basis, for subscribing up to an aggregate of 19,740,000 Placing Shares at HK$0.40 per Placing Share. During the year, 18,920,000 placing shares were issued and allotted on 4 December 2012.

Employees

As at 31 December 2012, the Group had 119 (2011: 136) 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 2012 were approximately HK$25.3 million (including equity-settled share-based payment expenses of approximately HK$3.3 million) (2011: HK$18.0 million (including equity-settled share-based payment expenses of approximately HK$1.4 million)). The increase in the staff costs is primarily due to the broadening of the business scopes and activities of the Group.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the year, the Group acquired 20% of the entire issued share capital of Great Steer Limited at a consideration of HK$80,000,000 and acquired the entire issued share capital of Fullway (China) Limited at a consideration of HK$15,000,000.

During the year, the Group disposed certain subsidiaries which resulted in a gain on disposal of approximately HK$524,000.

Save as above, the Group had no other material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2012.

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 a decrease in turnover and an increase in loss attributable to equity shareholders of Company. The turnover was approximately HK$26,993,000 (2011: approximately HK$47,050,000), representing a decrease of 42.6% as compared to last year. The decrease in turnover was mainly due to decrease in market demand in both sapphire watch crystals and optoelectronics products. Loss attributable to equity shareholders of the Company for year ended 31 December 2012 was approximately HK$58,362,000 (2011: HK$50,546,000). The loss was mainly attributable to the increase in losses of the business operations of the Group 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 investment holding, property investment, 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.

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 would be satisfied by the issue of promissory note of equivalent. The acquisition was completed during the year.

Details of the above were set out in the Company's announcement dated 7 March 2012 and 28 March 2012.

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 Mei to acquire 51% of the issued share capital of Upper Grand Limited at a consideration of HK$30,000,000 ("the Acquisition-Upper Grand").

Since the due diligence conducted on the Upper Grand Limited has not been completed, the Agreement was terminated on 28 November 2012.

On 31 May 2012, the Company entered into the memorandum of understanding with Sky Ray Limited and Million Lofty Limited ("Vendors") in relation to the possible acquisition of 20% of the issued share capital of Great Steer Limited ("GSL") ("the Acquisition-GSL").

Double All Limited, a company wholly owned by GSL, intends to set up a wholly foreign owned enterprise in the PRC, which will enter into an agreement with Guangzhou Lianji Electronic Co., Limited（廣州市聯碁電子有限公司）to assume and undertake all the contractual and economic benefits and obligations of Guangzhou Lianji Electronic Co., Limited in relation to the business of installing big LED information broadcasting system in various cities in the PRC.

On 9 August 2012, the Vendors and the Company entered into the Agreement, pursuant to which the Vendors will sell and the Company will acquire 20% of the issued share capital of the GSL at the Consideration of HK$80,000,000. The Acquisition GSL was completed on 23 November 2012.

Details of which were disclosed in the announcement of the Company on 31 May 2012, 20 August 2012 and 23 November and the circular dated 25 October 2012.

On 7 August 2012, SG New Energy (BVI) Limited, a wholly-owned subsidiary of the Company, entered into the memorandum of understanding with Mr. Chu Chun Kit, in relation to the possible acquisition of 49% of the issued share capital of EQM (Int'l) Co. Limited ("EQM"). The consideration was expected to be not less than HK$30,000,000 payable by way of convertible bonds, promissory notes and/or cash.

The principal business activities of EQM are in relation to the development and OEM of toys, promotional items and furniture for the global and local markets as well as various import and export shipping trading services.

Details of which were disclosed in the announcement of the Company on 7 August 2012, and 29 November 2012.

On 8 October 2012, Techtrend Holdings Limited ("Techtrend"), a company incorporated with limited liability in the BVI, being a wholly-owned subsidiary of the Company and Sunny Best Global Limited and Prosper Capital Holdings Limited ("Sunny Best and Prosper Capital") entered into the sale and purchase and subscription agreement (which was amended pursuant to the Supplemental Agreement signed on 11 October 2012 the Second Supplemental Agreement signed on 15 October 2012 and the third Supplemental Agreement signed on 4 January 2013 (collectively called "Agreements") in relation to the acquisition of approximately 25% equity interest in the Beaming Enterprises Limited ("Beaming").

Pursuant to the Agreements, (i) Sunny Best and Prosper Capital agreed to sell and Techtrend agreed to purchase approximately 16.7% of the existing issued share capital of Beaming (or approximately 15.0% of the enlarged issued share capital of the Beaming after completion) at a consideration of HK$17 million; and (ii) Beaming agreed to allot and issue and Techtrend agreed to subscribe for approximately 10% of the enlarged issued share capital of Beaming after completion at a consideration of HK$8 million, which will be used as general working capital of Beaming and its subsidiaries, namely Asia Base Holding Co., Limited, Beijing Hulian Meijing Technology Limited, Beijing Zhouwei Advertising Limited and Beijing Zhongshi Guanhua Technology Limited ("Beaming Group"). Upon completion, the Company will indirectly own approximately 25% shareholding in Beaming and therefore Beaming will become an associate of the Company.

The principal activities of Beaming Group are research and development, production and selling of computer software, providing technical, training, enquiry services designing, producing and publishing advertisement, providing clients solutions for arranging financial leasing services in the areas of, inter alia, telecommunication, broadcasting and medical equipment business in the PRC.

Details of the above were set out in the Company's announcement dated 15 October 2012 and 4 January 2013.

On 22 November 2012, 10 December 2012 and 14 December 2012, the Company and its wholly owned subsidiary entered into a letter of intent, sale and purchase agreement and supplementary sale and purchase agreement respectively with Mr. Lau Hin Chung and Shinning Team Investment Limited in relation to an acquisition of 28% shareholding of Neo Partner Investments Limited ("Neo") at a consideration of HK$23,800,000.

Neo, via its wholly owned subsidiary, Harvest View (China) Limited ("Harvest View"), entered into distribution agreements in relation to the distribution of Care Watch smart series products in the PRC.

Harvest View is principally engaged in the business of distribution of smart products in the PRC, including but not limited to Care Watch smart series products. Care Watch is a watch that is equipped with the Global Positioning System (GPS), which is a satellite navigation system that provides location and time information, such that any person wearing the watch can be located via GPS. Harvest View has been authorized as the exclusive agent for the Care Watch smart series products within the territory of the PRC for a period of 5 years and is subject to a minimum purchase order requirement of 500 sets of Care Watch for the first year and a 10% increment in each subsequent year. Harvest View has also entered into a distribution agreement to authorize the distributor to distribute the Care Watch smart series products within the territory of the PRC for a period of 5 years with a minimum purchase order requirement of 500 sets of Care Watch for each order and a minimum purchase order monetary amount requirement of HK$5,000,000 within the first 6 months.

The acquisition of Neo is completed on 23 January 2013. Details of the above were set out in the Company's announcement dated 22 November 2012, 10 December 2012 14 December 2012 and 23 January 2013.

On 26 November 2012, the Company, Billion Sky Investment Limited (a wholly owned subsidiary of the Company), Central Pacific International Group Limited ("Central Pacific") and Mr. Tang Wai Ting entered into a sale and purchase agreement in relation to the acquisition of 4.5% shareholding in Central Pacific at a consideration of HK$10 million.

Central Pacific owns 100% of the equity interest in Central Pacific International Technology Limited ("CPIT") and Zhonghuizhou Dianzi (Shenzhen) Limited ("Zhonghuizhou Dianzi").

The principal business activities of CPIT and Zhonghuizhou Dianzi are design and manufacturing and trading of GPS navigation system products. Zhonghuizhou Dianzi is a leading and professional OEM and ODM manufacturer of GPS modules, Bluetooth GPS receivers and navigation hardware solutions.

Together with the impeccable cooperation with five top global software and hardware solution partners, Zhonghuizhou Dianzi is able to design and produce wide-ranging products from chipset to modules, and can do so with the highest reliability and cost-efficiency. Further, Zhonghuizhou Dianzi has a large capital base to support and fulfill any current and future projects. This insures the company's leading position in the GPS arena.

Steered by a competent sales and marketing team, Zhonghuizhou Dianzi has gained sustainable global presence through the world's leading retailer stores. Zhonghuizhou Dianzi products have been widelydistributed and well-accepted in Western and Eastern Europe, and North and South America. In recent years, Zhonghuizhou Dianzi has been one of the few who can obtain great success in the emerging markets of Russia and India. The GPS products enable users to pre-plan trips to any destinations, avoid toll routes, and get step-by-step directions to any points of interest.

Details of the above were set out in the Company's announcement dated 26 November 2012.

On 28 August 2012, the Company and Great China Media Holdings Limited ("GCMH") entered into a letter of intent in relation to the possible acquisition of 100% of the issued share capital of China Outdoor Media Holdings Limited ("COMH") and Full Pace Holdings Limited (Full Pace"). COMH and Full Pace and their respective subsidiaries are principally engaged in the business of (i) provision of multimedia technical consultancy services in the PRC, (ii) provision of consultancy services and supplying other equipment and materials such as lasers and fireworks display in certain occasions, and (iii) the licence and concessionary advertising business in the mass public transportation systems in the Hong Kong.

On 6 March 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company, and GCMH entered into a sale and purchase agreement in relation to the acquisition of 45% issued share capital of Full Pace, which indirectly holds a subsidiary engaged in the license and concessionary advertising business in the mass public transportation systems in the Hong Kong and the distribution of Stratospheres within the territory of the PRC, Hong Kong and Macau. The consideration of the acquisition amounted was HK$50,000,000 and will be satisfied by the issue of promissory note. The acquisition was completed on 20 March 2013.

Details of the above were set out in the Company's announcement dated 28 August 2012, 6 March 2013 and 20 March 2013.

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.

On 23 January 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company has completed the acquisition of 28% issued share capital of Neo Partner Investments Limited, which indirectly holds a subsidiary engaged in the business of distribution of smart products in the PRC. The consideration of the acquisition was to HK$23,800,000 and will be satisfied by cash and the issue of promissory note,

On 5 March 2013 the Company entered into the Memorandum Of Understanding ("MOU") with Zhong Ba Xing Ye in relation to the Possible Cooperation in developing a Business-ta-consumer commerce platform under the E-Commerce Project within the rural towns and cities of the PRC.

On 6 March 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company and Great China Media Holdings Limited entered into a sale and purchase agreement in relation to the acquisition of 45% issued share capital of Full Pace Holdings Limited, which indirectly holds a subsidiary engaged in the license and concessionary advertising business in the mass public transportation systems in the Hong Kong and the distribution of Stratospheres within the territory of the PRC, Hong Kong and Macau, The consideration of the acquisition amounted was HK$50,000,000 and will be satisfied by the issue of promissory note.

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 and chairman currently. The responsibility of that of a chief executive officer and chairman are 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 and chairman. 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 and a chairman responsible for the Group's operation and direction in 2013.

Save as disclosed above, the Company has complied with the Code throughout the year ended 31 December 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 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 2012.

Remuneration committee

Remuneration committee, currently comprises three independent non-executive directors, namely Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari 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. Ng Kai Shing is the Chairman of the remuneration committee. The remuneration and benefits for the executive directors amounted to approximately HK$4,975,000 in 2012.

For the year ended 31 December 2012, the Remuneration Committee held 1 meeting during which duties, roles and performance of the Executive Directors were reviewed. The Committee also made recommendation to the Board on the remuneration to the Directors.

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

Directors	Number of attendance
Tam Chak Chi (appointed on 9 January 2012 and resigned on 31 October 2012)	1/1
Ng Kai Shing *(Chairman)*	1/1
Chan Sze Man (appointed on 16 February 2012)	0/1
Lee Tao Wai (resigned on 20 February 2012)	0/0
Tsui Siu Hung (resigned on 10 February 2012)	0/0

Board of directors

The Board of the Company (the "Board") currently comprises nine directors, of which six 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.

The composition of the Board ensures a balance of expertise and experience appropriate to the requirements of the business of the Company and to the exercising of independent opinion. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

The Board of Directors is responsible for the overall strategic development of the Group. It also monitors the financial performance and internal control of the Group's business operations. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The Board delegates day-to-day activities to the management with department heads responsible for different aspects of the business. The Non-Executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on Audit Committee, Remuneration Committee and Nomination Committee.

According to the Articles of Associations of the Company, at each annual general meeting, one third of the Directors for the time being, or their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year 2012 and thereafter up to 28 March 2013 the latest practicable date prior to the printing of this annual report, the directors are as follows:

Executive directors

Nee, Henry Pei Ching
Ho Chun Kit Gregory (appointed on 16 January 2012)
Xu Xuefeng (appointed on 3 October 2012)
Lau Tao Hung Henry (appointed on 1 November 2012)
Lee Tat Wing (appointed on 21 November 2012)
Kwan Pak Ming (appointed on 14 March 2013)
Chan Ka Ming (resigned on 1 November 2012)
Tam Chak Chi (appointed on 9 January 2012 and resigned on 31 October 2012)
Chan Chung Keung Jackon (resigned on 12 January 2012)
Chan Yim Kum (resigned on 11 January 2012)
Lam Chi Man (resigned on 9 January 2012)

Independent non-executive directors

Jal Nadirshaw Karbhari
Ng Kai Shing
Chan Sze Man (appointed on 16 February 2012)
Lee Tao Wai (resigned on 20 February 2012)
Tsui Siu Hung (resigned on 10 February 2012)

Pursuant to clause 86(2) of the current Bye-laws, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Xu Xuefeng, Mr. Lau Tao Hung Henry, Mr. Lee Tat Wing, Mr. Kwan Pak Ming, Mr. Jal Nadirshaw Karbhari, Mr. Ng Kai Shing and Ms. Chan Sze Man shall hold office until the 2013 AGM. All of the above retiring directors, being eligible, will offer themselves for re-election at the 2013 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 2012, the Board held 70 meetings.

The attendance of the Directors at the board meetings and general meetings held during the year ended 31 December 2012 is as follows:

Directors	Number of board meeting attendance	Number of general meeting attendance
Nee, Henry Pei Ching	38/70	1/5
Ho Chun Kit Gregory (appointed on 16 January 2012)	60/63	1/4
Xu Xuefeng (appointed on 3 October 2012)	0/18	0/2
Lau Tao Hung Henry (appointed on 1 November 2012)	4/14	0/1
Lee Tat Wing (appointed on 21 November 2012)	4/7	0/0
Kwan Pak Ming (appointed on 14 March 2013)	0/0	0/4
Chan Ka Ming (resigned on 1 November 2012)	50/55	3/4
Tam Chak Chi (appointed on 9 January 2012 and resigned on 31 October 2012)	49/53	0/4
Chan Chung Keung Jackon (resigned on 12 January 2012)	6/6	0/0
Chan Yim Kum (resigned on 11 January 2012)	3/5	0/0
Lam Chi Man (resigned on 9 January 2012)	0/1	0/0
Jal Nadirshaw Karbhari	0/70	0/5
Ng Kai Shing	9/70	0/5
Chan Sze Man (appointed on 16 February 2012)	2/55	0/4
Lee Tao Wai (resigned on 20 February 2012)	5/15	0/1
Tsui Siu Hung (resigned on 10 February 2012)	4/12	0/1

Code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, both being the independent non-executive Directors, did not attend the Company's extraordinary and annual general meeting during the year ended 31 December 2012 due to their other unexpected business engagement.

Code provision E.1.2 of the Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Ng Kai Shing, the chairman of the Remuneration Committee and Nomination Committee, and Mr. Jal Nadirshaw Karbhari, the chairman of the Audit Committee, did not attend the annual general meeting held on 29 June 2012 due to their engagement in their own official business.

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 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 Stock Exchange and disclosures have been fully made.

During the year ended 31 December 2012, the audit committee held five 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)*	0/5
Ng Kai Shing	5/5
Chan Sze Man (appointed on 16 February 2012)	5/5
Lee Tao Wai (resigned on 20 February 2012)	0/0
Tsui Siu Hung (resigned on 10 February 2012)	0/0

Nomination Committee

The Company established a nomination 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 nomination 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. Ng Kai Shing (Chairman), Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man. During the year ended 31 December 2012, no meeting was held.

Auditors' remuneration

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

Auditors	**Fee paid/payable** HK$
Elite Partners CPA Limited	
– Audit services	750,000
– Other services	–

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. 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 chairman and chief executive officer and the Board is responsible to play the role of chairman and 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 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.

Continuous Professional Development

During the year, all Directors have participated in continuous professional development by attending CPD sessions or reading the relevant materials to develop and refresh their knowledge and skills.

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and

(d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report

Communications with shareholders and investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have better understanding in relation to the business performance, operations and strategies of the Group.

Through our website at www.victoryhousefp.com/lchp/8150.html which allow the Company's potential and existing investors as well as the public to assess and acquire the up-to-date company and financial information.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in the annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

Procedures for Shareholders to convene an extraordinary general meeting

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Articles of Association, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: Unit D, 6/F., Neich Tower,
128 Gloucester Road,
Wanchai, Hong Kong
Fax: 852-37532883

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional Documents

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2012.

The Directors submit their report together with the audited financial statements for the year ended 31 December 2012.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 41 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 2012 are set out in the consolidated statement of comprehensive income on page 31.

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 pages 34 and 35 and note 32 to the financial statements respectively.

Property, plant and equipment

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

Distributable reserves

As at 31 December 2012, no reserve was available for distribution to the owners of the Company (2011: Nil).

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2012 are set out in note 41 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 112.

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 pages 34 and 35 and note 30 to the financial statements respectively.

Directors

Executive Directors

Mr. Nee, Henry Pei Ching, aged 55, 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. Ho Chun Kit Gregory, aged 34, 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.

Mr. Xu Xuefeng, aged 40, holds a bachelor degree of Management Engineering from the University of Science and Technology of China and a master degree of Computer Engineering from People's Liberation Army Armored Force Engineering Institute and has more than 15 years' experience in client relationship management, business development, strategic planning and operation management for various companies of a wide range of businesses, among others, investment, broadcasting, advertising, media and exhibition.

Mr. Lee Tat Wing, aged 43, obtained an EMBA degree in International Tourism & Hotel Management from University of Shenzhen and holds a Master of Business & Administration degree from University of Ballarat, Australia. Mr. Lee has been working as an executive director of an advisory company since 2010 and has more than 10 years of experience in the hospitality industry with senior positions in various hotels located in the PRC and Hong Kong. In addition, he has been tutoring in courses as a lecturer in several local educational institutions, including HKU Space, CUSC and IVE since 2010.

Mr. Lau Tao Hung Henry, aged 34, holds a bachelor degree of Business marketing and Business Systems from Monash University, Melbourne, Australia and has more than 10-year experience in client relationship management, business development, public relation management, marketing and sales & distribution for various companies of a wide range of business, including entertainment, styling and media in Taiwan. He possess solid knowledge and experience in business development, sales and marketing in the media marketing industry and has proven track records in developing sales channel and consultancy for distributing consumer products in the Greater China market.

Mr. Kwan Pak Ming, aged 54, is a PhD Candidate in Business Management from Remin University of China and holds a Master of Business Administration degree from The University of Hong Kong. Mr. Kwan is the founder and principal trainer of a professional training institute since 2009. He has more than 25 years of experience with senior positions in IT Technology.

Independent Non-executive Directors

Mr. Jal Nadirshaw Karbhari, aged 65, 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 66, 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 31, 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.

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 33 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 31 to the consolidated financial statements.

Directors' and chief executive's interests in securities

As at 31 December 2012, save as 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 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 1)*
Cai Rui	Beneficial owner	20,510,000	–	Long Position	5.93%
Fang Rongzi	Beneficial owner	48,160,000	–	Long Position	13.93%

Notes:

1. The percentage is calculated based on 345,651,648 shares in issue as at 31 December 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 December 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 December 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.

Major customers and suppliers

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

– The largest customer	28.0%
– Five largest customers	84.7%

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

– The largest supplier	36%
– Five largest suppliers	83%

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 2012.

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 2012.

Competing Interests

During the year ended 31 December 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.

Dividend

The directors do not recommend the payment of any dividend to the shareholders of the Company for the year ended 31 December 2012 (2011: Nil).

Auditors

On 29 June 2012, Pan-China (H.K.) CPA Limited resigned as auditors of the Company. Elite Partners CPA Limited ("Elite Partners") was appointed as the auditors of the Company on 13 July 2012.

The consolidated financial statements for the year ended 31 December 2012 have been audited by Elite Partners, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM of the Company.

On Behalf of the Board

Ho Chun Kit Gregory
Executive Director

Hong Kong, 28 March 2013

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
SEAMLESS GREEN CHINA (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability and re-domiciled to Bermuda on 22 January 2009)

We have audited the consolidated financial statements of Seamless Green China (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 31 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, 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 disclosure requirements of the Hong Kong Companies Ordinance and for such internal as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S 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 purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

BASIS FOR QUALIFIED OPINION

Scope limitation – Investment property

During the year ended 31 December 2012, the Group acquired an investment property in the PRC through the acquisition of the entire equity interests in Fullway (China) Limited at the consideration of HK$15,000,000. The acquisition was completed on 28 March 2012. However, as at 31 December 2012, the land use rights of the said investment property has yet to be transferred to the Group. In the absence of adequate documentary evidence in respect of the land use rights of the investment property, we are unable to satisfy ourselves as to whether (i) the Group has legal ownership of the investment property; and (ii) the value of the investment property of approximately HK$16,614,000 as stated in the consolidated statement of financial position as at 31 December 2012 was free from material misstatement.

Any adjustments found to be necessary in respect of the above matters would affect the Group's net assets as at 31 December 2012, and the Group's loss for the year then ended.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effect of the matters described in the basis for the qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2013

Yip Kai Yin
Practising Certificate Number P05131

Room 921-921A, 9/F.,
Star House, 3 Salisbury Road,
Tsimshatsui, Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Turnover	6(a)	**26,993**	47,050
Cost of sales		**(23,571)**	(41,199)
Gross profit		**3,422**	5,851
Other revenue and other net income	6(b)	**1,284**	1,970
Selling and distribution costs		**(1,482)**	(2,895)
Administrative and other operating expenses		**(56,657)**	(38,118)
Gain on disposal of subsidiaries		**524**	–
Change in fair value of investment property		**368**	–
Gain on disposal of property, plant and equipment		**14**	–
Loss on early redemption on promissory note		**(3,227)**	–
Net loss on financial assets at fair value through profit or loss		**–**	(720)
Loss on derecognition of intangible asset		**–**	(8,700)
Purchase costs recognised as expense		**–**	(2,413)
Impairment losses on trade and other receivables		**(1,778)**	(5,130)
Loss from operations		**(57,532)**	(50,155)
Share of loss of associates		**(44)**	–
Finance costs	8	**(666)**	(28)
LOSS BEFORE TAXATION	9	**(58,242)**	(50,183)
Income tax	10	**(120)**	(363)
LOSS FOR THE YEAR		**(58,362)**	(50,546)
Other comprehensive income after tax			
Exchange differences on translation of the financial statements of foreign subsidiaries		**(87)**	924
Surplus on revaluation of buildings	16	**–**	535
Other comprehensive (expense)/income for the year		**(87)**	1,459
Total comprehensive expense for the year		**(58,449)**	(49,087)
Loss attributable to owners of the Company		**(58,362)**	(50,546)
Total comprehensive expense attributable to owners of the Company		**(58,449)**	(49,087)
Loss per share attributable to the owners of the Company	15		
Basic		**22.63 cents**	27.01 cents
Diluted		**22.23 cents**	27.01 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**9,277**	15,761
Intangible assets	*17*	**–**	–
Investment property	*19*	**16,614**	–
Prepaid land lease payments	*18*	**518**	537
Interests in associates	*21*	**64,750**	–
		91,159	16,298
Current assets			
Prepaid land lease payments	*18*	**17**	17
Inventories	*22*	**5,949**	4,924
Trade and other receivables	*23*	**22,364**	16,902
Cash and cash equivalents	*24*	**3,678**	26,740
		32,008	48,583
Current liabilities			
Bank overdrafts	*24*	**1**	1,779
Bank loans	*27*	**3,000**	–
Trade and other payables	*25*	**12,186**	9,745
Short term loans	*26*	**–**	4,520
Income tax payable	*28*	**2,421**	2,438
Promissory notes	*29*	**7,000**	–
		24,608	18,482
Net current assets		**7,400**	30,101
Total assets less current liabilities		**98,559**	46,399
Non-current liabilities			
Deferred tax liabilities	*28*	**1,265**	134
Promissory notes	*29*	**46,449**	–
		47,714	134
NET ASSETS		**50,845**	46,265
CAPITAL AND RESERVES			
Share capital	*30*	**17,282**	10,587
Reserves	*32*	**33,563**	35,678
TOTAL EQUITY		**50,845**	46,265

Approved and authorised for issue by the Board of Directors on 28 March 2013 and signed on behalf of the Board by:

Mr. Nee, Henry Pei Ching
Director

Mr. Ho Chun Kit Gregory
Director

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**42**	121
Interests in subsidiaries	20	**43,014**	21,053
Interest in associates	21	**64,750**	–
		107,806	21,174
Current assets			
Trade and other receivables	23	**4,872**	7,965
Cash and cash equivalents	24	**1,410**	20,476
		6,282	28,441
Current liabilities			
Bank overdraft		**1**	–
Trade and other payables	25	**1,951**	1,387
Promissory notes	29	**7,000**	–
Short term loan	26	**–**	4,520
		8,952	5,907
Net current (liabilities)/assets		**(2,670)**	22,534
Total assets less current liabilities		**105,136**	43,708
Non-current liabilities			
Promissory notes	29	**46,449**	–
NET ASSETS		**58,687**	43,708
CAPITAL AND RESERVES			
Share capital	30	**17,282**	10,587
Share premium and reserves	32	**41,405**	33,121
TOTAL EQUITY		**58,687**	43,708

Approved and authorised for issue by the Board of Directors on 28 March 2013 and signed on behalf of the Board by:

Mr. Nee, Henry Pei Ching
Director

Mr. Ho Chun Kit Gregory
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Share capital	Share premium	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
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)
Issue of shares upon 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
Lapse of share options	–	–	–	–	–	(340)	340	–
Issue of shares upon exercise of share options	354	7,841	–	–	–	(1,766)	–	6,429
At 31 December 2011	10,587	107,366	535	–	2,665	307	(75,195)	46,265

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Share capital	Share premium	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
At 1 January 2012	10,587	107,366	535	–	2,665	307	(75,195)	46,265
Loss for the year	–	–	–	–	–	–	(58,362)	(58,362)
Other comprehensive income for the year:								
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	–	–	(87)	–	–	(87)
Total comprehensive income for the year	–	–	–	–	(87)	–	(58,362)	(58,449)
Issue of unlisted warrants	–	–	–	1,400	–	–	–	1,400
Recognition of equity settled share-based payment	–	–	–	–	–	3,258	–	3,258
Issue of shares								
– exercise of warrants	1,150	18,630	–	(1,150)	–	–	_	18,630
– placement, net of issuing cost of HK$1,365,000	5,193	32,759	–	–	–	–	–	37,952
– upon excercise of share options	352	1,884	–	–	–	(447)	–	1,789
Lapse of share options	–	–	–	–	–	(1,767)	1,767	–
At 31 December 2012	17,282	160,639	535	250	2,578	1,351	(131,790)	50,845

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	2012	2011
	HK$'000	HK$'000
Operating activities		
Loss before taxation	**(58,242)**	(50,183)
Adjustments for:		
Depreciation of property, plant and equipment	**2,291**	1,954
Waiver of other payables	**(1,170)**	–
Loss on early redemption of promissory notes	**3,227**	–
Share of loss on associate	**44**	–
Surplus on valuation of investment property	**(368)**	–
Amortisation of prepaid land lease payment	**17**	17
Write down of inventories	**4,099**	3,296
Impairment losses on trade and other receivables	**1,778**	5,130
Impairment losses on property, plant and equipment	**–**	125
Loss on disposal of intangible asset	**–**	8,700
Gain on disposal of property, plant and equipment	**(14)**	–
Purchase costs recognised as expense	**–**	2,413
Finance costs	**137**	28
Imputed interest of promissory notes	**529**	–
Interest income	**(42)**	(373)
Gain on disposals of subsidiaries	**(524)**	–
Share-based payment expenses	**3,258**	1,393
Foreign exchange loss	**–**	848
Operating loss before changes in working capital	**(44,980)**	(26,652)
Decrease in financial assets at fair value through profit or loss	**–**	12,819
Increase in inventories	**(5,596)**	(2,452)
Increase in trade and other receivables	**(11,158)**	(9,515)
Increase/(decrease) in trade and other payables	**4,477**	(4,220)
Cash used in operations	**(57,257)**	(30,020)
Interest paid	**(238)**	(28)
PRC Enterprise Income Tax paid	**(17)**	(44)
Net cash used in operating activities	**(57,512)**	(30,092)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Investing activities			
Interest received		**2**	373
Payment to acquire of property, plant and equipment		**(185)**	(9,804)
Payment of acquisition of associates		**(9,000)**	–
Proceed from disposal of property, plant and equipment		**3,900**	–
Net cash outflow arising for acquisition of subsidiaries	*40*	**–**	(11,078)
Net cash outflow arising for disposal of subsidiaries	*41*	**(106)**	–
Net cash used in investing activities		**(5,389)**	(20,509)
Financing activities			
Early redemption of promissory notes		**(21,000)**	–
Placement of shares		**37,952**	68,415
Proceed from issue of unlisted warrants		**1,400**	–
Proceed from exercise of warrants		**18,630**	–
Proceed from exercise of share options		**1,789**	6,429
Proceed from bank loans		**12,369**	–
Repayment of bank loans		**(9,369)**	(2,831)
Net cash generated from financing activities		**41,771**	72,013
Net increase in cash and cash equivalents		**(21,130)**	21,412
Cash and cash equivalents at 1 January		**24,961**	3,526
Effect of foreign exchange rate changes		**(154)**	23
Cash and cash equivalents at 31 December		**3,677**	24,961
Represented by:			
Cash and bank balances		**3,678**	26,470
Bank overdraft		**(1)**	(1,779)
		3,677	24,961

The accompanying notes form part of these financial statements.

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 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")

(a) Standards and Interpretations adopted in the current period

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to and effective for the Group's financial period beginning on 1 January 2012:

Amendments to HKAS 12	Deferred tax: Recovery of underlying asset
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

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

(Expressed in Hong Kong dollars)

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

(b) Standards and Interpretations issued but not yet adopted

The Group has not early applied any of the following new and revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2012:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] *Effective for annual periods beginning on or after 1 January 2013.*
[2] *Effective for annual periods beginning on or after 1 January 2014.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 July 2012.*

The directors of the Company anticipate that the application of the other new and revised standards or interpretations will have no material impact on the Group's results and the financial position of the Group.

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) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

4. Significant accounting policies *(continued)*

(b) Business combinations *(continued)*

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2"Share-based payment" at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

(c) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

4. Significant accounting policies *(continued)*

(d) Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. Significant accounting policies *(continued)*

(d) Associate *(continued)*

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(e) Property, plant and equipment

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)*

(e) Property, plant and equipment *(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.

(f) Prepaid lease payment

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.

(g) 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)*

(h) 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(e)).

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(e)).

(i) Investment property

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use a investment property, or for which market has become less active, continues to be measured at fair value.

4. Significant accounting policies *(continued)*

(i) Investment property *(continued)*

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of land classified as investment property; other, including contingent rent payments, are not recognised in the financial statements. Changes in fair value are recognised in the profit or loss.

Subsequent expenditure is changed to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance cost are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for classified as property, plant and equipment and stated at cost less impairment loss until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverse a previous impairment loss, the gain is recognised in the profit or loss.

(j) 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.

(k) 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.

4. Significant accounting policies *(continued)*

(l) 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.

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.

4. Significant accounting policies *(continued)*

(l) Financial instruments *(continued)*

i. Financial assets (continued)

Financial assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement 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.

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-organisation.
- 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.

4. Significant accounting policies *(continued)*

(l) Financial instruments *(continued)*

i. Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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.

4. Significant accounting policies *(continued)*

(I) Financial instruments *(continued)*

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

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.

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.

4. Significant accounting policies *(continued)*

(l) Financial instruments *(continued)*

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

Financial liabilities at FVTPL (continued)

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

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.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The proceed received from the issue of warrants, net of direct issue costs is recognised in equity (warrant reserve). Warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to retained profit.

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.

4. Significant accounting policies *(continued)*

(m) 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.

i. 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.

ii. 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.

iii. Rental income

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

4. Significant accounting policies *(continued)*

(n) 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.

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.

4. Significant accounting policies *(continued)*

(o) 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.

(p) 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)*

(p) 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.

4. Significant accounting policies *(continued)*

(q) 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.

(r) 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.

(s) 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.

(t) 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)*

(t) 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.

(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, 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.

4. Significant accounting policies *(continued)*

(v) Related parties

i. 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;
(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.

ii. 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.
(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.

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.

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

(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$5,949,000 (2011: HK$4,924,000). Details of the value of inventories are set out in note 22.

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$9,277,000 (2011: HK$15,761,000). 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$22,364,000 (2011: HK$16,902,000).

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$9,277,000 (2011: HK$15,761,000). 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$2,421,000 (2011: HK$2,438,000). Details of income taxes are set out in note 28.

6. Turnover and other income and gains

(a) Turnover

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

	2012	2011
	HK$'000	HK$'000
Sale of goods	**26,993**	47,050

The Group's turnover represents the sale 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:

	2012	2011
	HK$'000	HK$'000
Other income		
Bank interest income	**1**	3
Other interest income	**41**	370
Total interest income on financial assets not at fair value through profit or loss	**42**	373
Operating lease rental income	**17**	17
Others	**1,225**	138
	1,284	528
Other gains		
Net foreign exchange gains	**–**	1,442
	1,284	1,970

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 (2011: 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(u).

7. Segment information *(continued)*

(a) Segment revenue and results:

For the year ended 31 December 2012:

	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	22,468	3,502	200	351	472	26,993
Segment result	(7,315)	(542)	(369)	(3,111)	(998)	(12,335)
Reconciliation:						
Total loss for reportable segments						(12,335)
Unallocated corporate income						2,213
Bank and other interest income						40
Share of loss of associates						(44)
Loss on early redemption on promissory note						(3,227)
Finance cost						(529)
Unallocated corporate expenses						
– Staff costs						(17,647)
– others						(26,713)
Consolidated loss before taxation						(58,242)

7. Segment information *(continued)*

(a) Segment revenue and results: *(continued)*

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)
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 and 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 cost						(28)
Unallocated corporate expenses						
– Staff costs						(15,106)
– Legal and professional fee						(11,926)
– Others						(3,303)
Consolidated loss before taxation						(50,183)

7. Segment information *(continued)*

(b) Segment assets and liabilities:

For the year ended 31 December 2012:

	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	13,326	5,257	2,669	2,178	–	23,430
Unallocated assets						
– Cash and bank balances						1,958
– Interest in associates						64,750
– Others						33,009
Consolidated assets						123,147
Segment liabilities	(10,816)	(697)	(4)	(1,881)	–	(13,398)
Unallocated liabilities						
– Promissory notes						(53,449)
– Current income tax payable						(1,691)
– Deferred tax liabilities						(1,132)
– others						(2,652)
Consolidated liabilities						(72,322)

7. Segment information *(continued)*

(b) Segment assets and liabilities: *(continued)*

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 assets	15,676	4,234	6,566	8,560	1,340	36,376
Unallocated assets						
– Cash and bank balances						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)

7. Segment information *(continued)*

(c) Other segment information:

For the year ended 31 December 2012:

	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	**164**	**–**	**–**	**–**	**–**	**21**	**185**
Interest income	**1**	**1**	**–**	**–**	**–**	**40**	**42**
Interest expense	**132**	**–**	**–**	**–**	**5**	**529**	**666**
Income tax expense	**18**	**28**	**–**	**–**	**–**	**74**	**120**
Write down of inventories	**2,135**	**1,950**	**14**	**–**	**–**	**–**	**4,099**
Depreciation and amortisation	**1,636**	**532**	**–**	**3**	**59**	**78**	**2,308**

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

7. Segment information *(continued)*

(d) Geographical Information

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

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:

	Revenues from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**8,295**	6,397	**682**	10,970
PRC	**3,853**	7,009	**90,477**	5,328
Taiwan	**34**	144	**–**	–
Europe	**14,811**	33,500	**–**	–
	26,993	47,050	**91,159**	16,298

(e) Information about major customers

	2012	2011
	HK$'000	HK$'000
Customer A	**7,562**	7,337
Customer B	**6,279**	12,012
Customer C	**5,481**	5,487
Customer D	**2,084**	–
Customer E	**1,458**	6,200
Total	**22,864**	31,036

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

7. Segment information *(continued)*

(f) Information about product and services

	2012	2011
	HK$'000	HK$'000
Synthetic sapphire watch crystals	**22,468**	34,767
Optoelectronic products	**3,502**	6,343
Liquor	**200**	3,482
Integrated circuits and software	**351**	1,755
Fashion	**472**	594
Other	**–**	109
Total	**26,993**	47,050

8. Finance costs

	2012	2011
	HK$'000	HK$'000
Other interest expenses	**–**	28
Imputed interest in promissory notes	**529**	–
Interest on bank loan and bank overdraft	**137**	–
Total interest expenses for financial liabilities not classified as at fair value through profit or loss	**666**	28

9. Loss before taxation

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

	2012	2011
	HK$'000	HK$'000
Amortisation of prepaid land lease payments	**17**	17
Depreciation of property, plant and equipment	**2,291**	1,954
Impairment losses on		
– Trade and other receivables	**1,778**	5,130
– Property, plant and equipment	**–**	125
Loss on derecognition of intangible asset	**–**	8,700
Purchase costs recognised as expenses	**–**	2,413
Cost of inventories*	**19,472**	37,903
Write down of inventories	**4,099**	3,296
Minimum lease payment under operating leases		
– Buildings	**1,579**	1,420
Auditors' remuneration		
– Audit services	**750**	720
– Other services	**–**	359
Staff costs (including directors' remuneration *(note 11)*)		
Wages and salaries	**17,386**	12,017
Discretionary bonuses	**4,469**	4,245
Retirement scheme contributions	**159**	328
Equity-settled share-based payment expenses	**3,258**	1,393

* Cost of inventories includes HK$2,584,000 (2011: HK$3,612,000) relating to the 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 expenses

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

	2012	2011
	HK$'000	HK$'000
Current Tax – Hong Kong Profits Tax		
Charge for the year	**–**	298
Current tax – PRC Enterprise Income Tax		
Charge for the year	**46**	65
Deferred tax:		
Debit to profit or loss	**74**	–
Tax charge	**120**	363

Hong Kong profits tax has been provided for in the consolidated financial statements at the rate of 16.5% (2011:16.5%) 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.

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

	2012	2011
	HK$'000	HK$'000
Loss before taxation	**(58,242)**	(50,183)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(9,997)**	(8,824)
Tax effect of non-taxable income	**(245)**	(69)
Tax effect of non-deductible expenses	**1,501**	9,757
Tax effect of temporary difference not recognised	**–**	(372)
Tax losses not recognised	**1,393**	–
Tax benefit not recognised	**7,394**	311
Tax losses utilised from previous periods	**–**	(440)
Tax effect of deferred tax liability	**74**	–
Income tax expense recognised in profit or loss	**120**	363

11. Directors' remuneration

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

	2012	2011
	HK$'000	HK$'000
Fees	**2,538**	3,349
Other emoluments		
Salaries, allowances and benefits in kind	**–**	–
Fees	**2,437**	2,405
Share – based payments	**–**	–
Pension scheme contributions	**–**	–
	2,437	2,405
Total remuneration	**4,975**	5,754

For the year ended 31 December 2012

	Appointed on	Resigned on	Salaries, Allowances and benefits in kind HK$'000	Discretionary bonus and fees HK$'000	Share - based payment HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors							
Mr. Chan Chung Keung Jackon	–	12 January 2012	–	989	–	–	989
Mr. Nee Pei Ching, Henry	28 May 2011	–	–	850	–	–	850
Ms. Chan Yim Kum	–	11 January 2012	–	842	–	–	842
Mr. Chan Ka Ming	7 October 2011	1 November 2012	–	400	–	–	400
Mr. Lau Tao Hung Henry	1 November 2012	–	–	80	–	–	80
Mr. Ho Chun Kit Gregory	16 January 2012	–	–	461	–	–	461
Mr. Tam Chak Chi	9 January 2012	31 October 2012	–	390	–	–	390
Mr. Lee Tat Wing	21 November 2012	–	–	–	–	–	–
Mr. Xu Xuefeng	3 October 2012	–	–	–	–	–	–

11. Directors' remuneration *(continued)*

For the year ended 31 December 2012 *(continued)*

	Appointed on	Resigned on	Salaries, Allowances and benefits in kind HK$'000	Discretionary bonus and fee HK$'000	Share - based payment HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Independent non – executive directors							
Mr. Tsui Siu Hung	–	10 February 2012	–	280	–	–	280
Mr. Lee Tao Wai	–	20 February 2012	–	204	–	–	204
Mr. Ng Kai Shing	16 August 2011	–	–	255	–	–	255
Mr. Jal Nadirshaw Karbhari	5 December 2011	–	–	120	–	–	120
Ms. Chan Sze Man	16 February 2012	–	–	104	–	–	104
			–	4,975	–	–	4,975

For the year ended 31 December 2011

	Appointed on	Resigned on	Salaries, Allowances and benefits in kind HK$'000	Discretionary bonus and fee HK$'000	Share - based payment HK$'000	Pension scheme contributions HK$'000	Total 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	–	1,700	–	–	1,700
Mr. Chung Ming Tru Daneil	–	13 June 2011	–	320	–	–	320
Mr. Wong Kwok Wai	–	26 May 2011	–	320	–	–	320
Ms Chan Yim Kum	–	11 January 2012	–	1,220	–	–	1,220
Ms. Tang Man Lai	–	24 March 2011	–	140	–	–	140
Mr. Lam Ping Cheung Andrew	–	20 September 2011	–	340	–	–	340
Mr. Nee Pei Ching, Henry	28 May 2011	–	–	450	–	–	450
Mr. Chan Ka Ming	7 October 2011	–	–	162	–	–	162
Mr. Lam Chi Man	5 December 2011	9 January 2012	–	–	–	–	–

11. Directors' remuneration *(continued)*

For the year ended 31 December 2011 *(continued)*

	Appointed on	Resigned on	Salaries, Allowances and benefits in kind HK$'000	Discretionary bonus and fee HK$'000	Share - based payment HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Independent non – executive directors							
Mr. Liu Chun Ning Wilfred	–	29 July 2011	–	–	–	–	–
Mr. Tsui Siu Hung	–	10 February 2012	–	325	–	–	325
Mr. Tso Chip	–	30 May 2011	–	100	–	–	100
Mr. Lee Tao Wai	–	20 February 2012	–	295	–	–	295
Mr. Ng Kai Shing	16 August 2011	–	–	188	–	–	188
Mr. Jal Nadirshaw Karbhari	5 December 2011	–	–	9	–	–	9
		–	–	5,754	–	–	5,754

There was no arrangement under which directors waived their remuneration during the year ended 31 December 2012 (2011: HK$ Nil).

During the year ended 31 December 2012, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2011: HK$ Nil).

12. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, two (2011: two) 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 (2011: three) individual is as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other emoluments	**2,565**	3,574
Equity-settled share-based payment expenses	**–**	1,027
Contributions to retirement benefits schemes	**42**	36
	2,607	4,637

(Expressed in Hong Kong dollars)

12. Individuals with highest emoluments *(continued)*

The emolument of the other three (2011: three) with the highest emoluments is within the following band:

	2012 Number of Individuals	2011 Number of individuals
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	3

13. Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year ended 31 December 2012 includes a loss of approximately HK$48,050,000 (2011: loss of HK$44,978,000) 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 2012 (2011: HK$ Nil).

15. Loss per share attributable to the owners of the Company (Earning per share)

(a) Basic loss per share

The basic loss per share is calculated based on the loss attributable to owners of the Company of HK$58,262,000 (2011: HK$50,546,000) and the weighted average number of 257,865,000 shares (2011: 187,107,000 shares) in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share for the year ended 31 December 2012 is based on the net loss for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the warrants. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 257,865,000 in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares of approximately 4,643,000 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares at the earliest exercisable date or the beginning of the year ended.

Diluted loss per share for the year ended 31 December 2011 was 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 HK$'000	Lands and buildings held for own use carried at cost HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost or valuation:							
At 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 realignment	–	–	13	4,551	167	35	4,766
At 31 December 2011 and 1 January 2012	3,819	3,550	2,642	112,026	4,777	791	127,605
Additions	–	–	–	164	21	–	185
Disposal	–	(3,550)	(201)	–	(212)	–	(3,963)
Disposal of subsidiary	–	–	(386)	–	(267)	–	(653)
Asset written off	–	–	(1,680)	–	–	–	(1,680)
Exchange realignment	(15)	–	–	(409)	(5)	(3)	(432)
At 31 December 2012	3,804	–	375	111,781	4,314	788	121,062
Accumulated depreciation and impairment:							
At 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 realignment	–	–	10	4,526	167	35	4,738
At 31 December 2011 and 1 January 2012	–	25	2,118	104,666	4,244	791	111,844
Charge for the year	119	–	81	1,977	114	–	2,291
Disposal	–	(25)	(25)	–	(27)	–	(77)
Disposal of subsidiary	–	–	(127)	–	(61)	–	(188)
Asset written off	–	–	(1,680)	–	–	–	(1,680)
Exchange realignment	–	–	–	(397)	(5)	(3)	(405)
At 31 December 2012	119	–	367	106,246	4,265	788	111,785

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

	Buildings held for own use carried at revalued amount HK$'000	Lands and buildings held for own use carried at cost HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Net carrying amount:							
At 31 December 2012	3,685	–	8	5,535	49	–	9,277
At 31 December 2011	3,819	3,525	524	7,360	533	–	15,761
Analysis of cost or valuation:							
At 31 December 2012:							
– At cost	–	–	375	111,781	4,314	788	117,258
– At valuation	3,804	–	–	–	–	–	3,804
	3,804	–	375	111,781	4,314	788	121,062
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

Notes:

(a) Revaluation of properties held for own use.

As at 31 December 2012, the directors considered that the fair value of the Group's buildings held for own use was approximate to the valuation amounts as at 31 December 2011.

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 have been recognised in other comprehensive income and accumulated in revaluation reserve of the Group and net of deferred tax of HK$134,000 for the year ended 31 December 2011.

Had the buildings held for own use been measured on a historical cost basis, their carrying amount would have been HK$3,525,000 for the years ended 31 December 2011 and 2012.

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

Notes: (continued)

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

	Group	
	2012	2011
	HK$'000	HK$'000
Medium-term leases		
– in Hong Kong	**–**	3,819
– outside Hong Kong	**3,685**	3,525
	3,685	7,344

	Group	
	2012	2011
	HK$'000	HK$'000
Representing:		
Building carried at revalued amount	**3,685**	3,819
Land and building carried at cost	**–**	3,525
	3,685	7,344

The Company:

	Leasehold improvements	**Furniture, fixture and equipment**	**Total**
	HK$'000	HK$'000	HK$'000
At cost:			
At 1 January 2011	19	209	228
Additions	–	84	84
At 31 December 2011, 1 January 2012 and 31 December 2012	19	293	312

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

	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
Accumulated depreciation:			
At 1 January 2011	10	110	120
Charge for the year	5	66	71
At 31 December 2011 and 1 January 2012	15	176	191
Charge for the year	4	75	79
At 31 December 2012	19	251	270
Net carrying amount:			
At 31 December 2012	–	42	42
At 31 December 2011	4	117	121

17. Intangible assets

The intangible assets 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 39 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 for the year ended 31 December 2011.

18. Prepaid land leases payments

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

	2012 HK$'000	2011 HK$'000
Carrying amount:		
At 1 January	**554**	546
Amortisation during the year	**(17)**	(17)
Exchange realignment	**(2)**	25
At 31 December	**535**	554

18. Prepaid land leases payments *(continued)*

	2012	2011
	HK$'000	HK$'000
Analysed for reporting purposes as:		
– Current portion	**17**	17
– Non-current portion	**518**	537
	535	554

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. Investment property

	Group	
	2012	2011
	HK$'000	HK$'000
At fair value:		
At 1 January 2012/2011	**–**	–
Acquisition of subsidiary	**16,274**	–
Fair value gain on investment property	**368**	–
Exchange realignment	**(28)**	–
31 December 2012/2011	**16,614**	–

On 6 March 2012, Excel Energy Holdings Limited, a wholly owned subsidiary of the Company, entered into acquisition agreement with Tam Wing Yuen for the acquisition of the entire equity in Fullway (China) Limited for aggregated consideration of HK$15 million. The acquisition was completed on 28 March 2012.

As at 31 December 2012, the title of the investment property has yet to be transferred to the Group. In the opinion of the directors, the transfer of the title of the investment properties was still in progress.

As at 31 December 2012, the fair value of the Group's investment property has been arrived at on the basis of a valuation carried out at that day by Roma Appraisal Limited, an independent valuer not related to the Group and a member of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

20. Interests in subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**25,086**	25,000
Amounts due from subsidiaries	**111,492**	89,550
	136,578	114,550
Less: Impairment losses	**(93,564)**	(93,497)
	43,014	21,053

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 41 to the consolidated financial statements.

21. Interests in associates

	Group	
	2012	2011
	HK$'000	HK$'000
Cost of investment in associates, unlisted		
At 1 January	**–**	–
– Acquisition of associates	**64,794**	–
Share of post-acquisition losses and other comprehensive income, net of dividend received	**(44)**	–
At 31 December	**64,750**	–

Interests in associates at 31 December 2012 include goodwill of HK$64,789,000. The recoverable amount of goodwill is determined based on value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 17.42% per annum. Cash flows beyond the five-year period are extrapolated assuming no growth and no material change in the existing scope of business, business environment and market conditions. The growth rates used do not exceed the long-term average growth rate for the business in which an associate operates.

Goodwill acquired in a acquisition of associates are allocated, at acquisition, to associates that are expected to benefit from that acquisition.

Particulars of principal associates are set out in note 42 to the consolidated financial statements.

21. Interests in associates *(continued)*

The following table illustrates the summarised financial information of the Group's associate extracted from their audited financial statements for the year ended 31 December 2012:

	Group	
	2012	2011
	HK$'000	HK$'000
Assets	**192**	–
Liabilities	**387**	–
Revenues	**–**	–
Losses	**272**	–

22. Inventories

	Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**113**	53
Work in progress	**1,100**	1,080
Finished goods	**4,736**	3,791
	5,949	4,924

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

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount of inventories sold	**19,472**	37,903
Write down of inventories	**4,099**	3,296
	23,571	41,199

23. Trade and other receivables

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**4,332**	7,526	**–**	–
Loan receivables *(note (a))*	**–**	3,624	**3,840**	–
Other receivables *(note (b))*	**4,648**	1,818	**–**	8
Less: Allowance for doubtful debts	**(990)**	(6,277)	**–**	–
	7,990	6,691	**3,840**	8
Deposit paid to High court for litigation	**–**	3,350	**–**	3,350
Investment deposit *(note c)*	**11,500**	–	**–**	–
Deposits and prepayments	**2,874**	6,861	**1,032**	4,607
	22,364	16,902	**4,872**	7,965

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Current	**994**	4,193
31 – 60 Days	**1,076**	1,267
61 – 90 Days	**428**	409
Over 90 Days	**844**	501
	3,342	6,370

23. Trade and other receivables *(continued)*

Movement in allowance for doubtful debts:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**6,277**	990
Impairment loss recognised	**–**	5,287
Uncollectible amount written off *(note (a))*	**(5,287)**	–
At 31 December	**990**	6,277

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 recovering the deposits and loans receivables were remote, thus full impairment was made on these deposits and loan receivables.

During the year ended 31 December 2012, the directors considered the amount was irrecoverable, all relevant balances have been written off with its allowance for doubtful debts.

23. Trade and other receivables *(continued)*

Note: (continued)

(b) The balance includes a loan to independent third party of HK$3,840,000 was unsecured with 2% interest per annum will be repaid by 31 March 2013.

(c) As at 31 December 2012, the balance represents a refundable deposit of HK$11,500,000 (2011: Nil) for several proposed investments as follows:

i. Pursuant to announcement dated 7 August 2012, SG New Energy (BVI) Limited, a wholly owned subsidiary of the Company, entered into a MOU to acquire 49% of issued share capital in EQM (Int'l) Co. Limited (the"EQM ") from Mr. Chu Chun Kit, an independent third party (the "Vendor 1"). During the year ended 31 December 2012, The Group has paid to vendor 1 of HK$7,000,000 which is secured by 49% of issued share capital in EQM. As at 31 December 2012, in the opinion of directors of the Company, the acquisition subject to negotiations and planning to enter the formal agreement with Vendor 1 on or before 6 May 2013. As such, in the opinion of directors, the deposit is fully recoverable and therefore no impairment is required.

ii. Pursuant to announcement dated 12 April 2012, Peace Blue Limited, a wholly owned subsidiary of the Company, entered the agreement to acquire 51% of the issued share capital of Upper Grand Limited. (the"Upper Grand ") from two independent third parties (the "Vendors 2").

During the year of 2012, investment deposit of HK$5,000,000 has been paid to the Vendors 2.

Since the condition precedent to the agreement has not been fulfilled, the agreement was terminated on 28 November 2012 and investment deposit has been refunded by Vendors 2.

iii. Pursuant to announcement dated 10 December 2012, the Company and Silver Bonus Limited entered the agreement to acquire 28% of equity interest in Neo Partner Investments Limited (the" Neo Partner") to two independent third parties (the "Vendors 3"). During the year ended 31 December 2012, investment deposit of HK$3,500,000 has been paid to the Vendors 3.

On 23 January 2013, the acquisition of Neo Partner has been completed and such deposit will be reclassified as part of investment cost in 2013.

23. Trade and other receivables *(continued)*

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

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due not impaired	**3,342**	5,017
Past due but not impaired:		
– Less than 1 month	**–**	1,027
– 1 to 3 months	**–**	–
– Over 3 months	**–**	326
	3,342	6,370

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.

24. Cash and cash equivalents

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**3,678**	26,740	**1,410**	20,476
Cash and cash equivalents in the Statement of financial position	**3,678**	26,740	**1,410**	20,476
Unsecured bank overdrafts	**(1)**	(1,779)	**(1)**	–
Cash and cash equivalents in the Consolidated statements of cash flows	**3,677**	24,961	**1,409**	20,476

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$265,000 (2011: HK$475,000). 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.

25. Trade and other payables

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**4,810**	3,891	**–**	–
Other payables and accrued charges	**7,376**	5,854	**1,951**	1,387
	12,186	9,745	**1,951**	1,387

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

	Group	
	2012	2011
	HK$'000	HK$'000
Current	**278**	967
31 – 60 Days	**913**	925
61 – 90 Days	**1,201**	1,862
Over 90 Days	**2,418**	137
	4,810	3,891

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

26. Short term loans

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Repayable on demand	**–**	4,520	**–**	4,520

Short-term loans are unsecured and interest free and related to the litigation as set out in note 35 to the consolidated financial statements the litigation has been settled during the year ended 31 December 2012.

27. Bank loans

At 31 December 2012, details of the bank loans carried at amortised cost and repayable within 5 years were as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Secured bank loans repayable on demand or within one year	**3,000**	–

Note:

(a) At 31 December 2012, bank loans of the Group amounting to HK$3,000,000 (2011: Nil) were secured by the land and buildings held by the Director.

(b) At 31 December 2012, the interest rates of the bank loans is prime or HIBOR+1.5% (2011: Nil) per annum.

28. Income tax in the consolidated statement of financial position

Income tax payable in the consolidated statement of financial position represents:

	Group	
	2012	2011
	HK$'000	HK$'000
Provision for the year:		
Hong Kong Profits Tax	**1,931**	1,932
PRC Enterprise Income Tax	**490**	506
	2,421	2,438

28. Income tax in the consolidated statement of financial position *(continued)*

Deferred tax

	Revaluation of Building HK$'000	Revaluation of investment property HK$'000	Total HK$'000
At 1 January 2011	–	–	–
Revaluation of building	134	–	134
At 31 December 2011 and at 1 January 2012	134	–	134
Revaluation of investment property	–	1,131	1,131
At 31 December 2012	134	1,131	1,265

At 31 December 2012, the Group has unused tax losses of approximately HK$61,742,000 (2011: HK$54,631,000) available for offset against future profits against which the losses can be utilised 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 2012, the Group has deductible temporary differences of approximately HK$39,301,000 (2011: HK$39,375,000). 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.

29. Promissory notes

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
At 1 January	**–**	–
Issued during the year	**70,794**	–
Early redemption of promissory notes	**(17,772)**	–
Interest charged	**427**	–
At 31 December	**53,449**	–
Analysed for reporting purpose:	**–**	–
Current portion	**7,000**	–
Non-current portion	**46,449**	–
	53,449	–

29. Promissory notes *(continued)*

On 28 March 2012, the Company issued promissory note (the "Promissory Notes 1") for an aggregate principal amounts of HK$15,000,000, up on the acquisition of 100% equity interest in Fullway (China) Limited. The Promissory Notes 1 are due on 28 March 2013.

In the opinion of the directors, as the Promissory Notes 1 will be due within 12 months, hence, as at the issue date, the nominal value of Promissory Notes 1 approximates to its fair value.

During the year, the Promissory Notes 1 at amortised cost of approximately HK$8,000,000 were early repaid by cash settlement at its nominal value.

The promissory notes are classified as current liabilities for the year ended 31 December 2012 and carried at amortised cost until settlement on due date.

On 23 November 2012, the Company issued promissory notes (the "Promissory Notes 2") for aggregate principal amounts of HK$71,000,000, for the acquisition of Great Steer Limited. The Promissory Notes 2 are due on three years after the date of issue.

The fair value of the Promissory Notes 2 are approximately HK$55,794,000 as at the issue date, calculated at the effective interest rate of 8.366% per annum.

During the year, the Promissory Notes 2 at amortised cost of approximately HK$9,733,000 were early repaid by cash settlement at nominal value of approximately HK$13,000,000.

The Promissory Notes 2 are classified as non-current liabilities for the year ended 31 December 2012 and carried at amortised cost until settlement on due date.

30. Share capital

	Number of share		**Share capital**	
	2012	2011	**2012**	2011
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.05				
(2011: HK$0.05) each	**20,000,000**	20,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At the beginning of the year	**211,749**	141,666	**10,587**	7,083
Issues of warrants shares *(note a)*	**23,000**	–	**1,150**	–
Exercise of share options *(note b)*	**7,043**	7,083	**352**	354
Placing of shares *(note c)*	**103,860**	63,000	**5,193**	3,150
At the end of the year	**345,652**	211,749	**17,282**	10,587

(Expressed in Hong Kong dollars)

30. Share capital *(continued)*

Notes:

(a) For the year ended 31 December 2012, 23,000,000 warrants were exercised in March 2012 at a subscription price of HK$0.81 per ordinary shares, resulting in the issue of approximately 23,000,000 ordinary shares of HK$0.05 each.

(b) During the year ended 31 December 2012, an approximately of 7,043,000 ordinary shares of HK$0.05 were issued in respect the exercise of share options by employees under the share options scheme. Detail of the exercise of share options were summarised as follows:

Date of exercise of share options	**Number of ordinary shares issued**	**Exercise price**	**Aggregate consideration received**
		HK$	HK$
October 2012	7,042,476	0.254	1,788,789

(c) During the year ended 31 December 2012, the aggregate of 103,860,000 ordinary shares of HK$0.05 were issued in respect the placing of shares under placing agreements. Detail of the placing agreements were summarised as follows:

(i) Pursuant to the announcement issued on 5 July 2012, 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 23,500,000 placing shares at HK$0.395 per placing share. All money for the placing were received by the Company on 18 July 2012.

(ii) Pursuant to the announcement issued on 20 July 2012, 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 23,440,000 placing shares at HK$0.31 per placing share. All money for the placing were received by the Company on 3 August 2012.

(iii) Pursuant to the announcement issued on 29 October 2012, 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 38,000,000 placing shares at HK$0.40 per placing share. All money for the placing were received by the Company on 14 November 2012.

(iv) Pursuant to the announcement issued on 20 November 2012, 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 18,920,000 placing shares at HK$0.40 per placing share. All money for the placing were received by the Company on 4 December 2012.

(Expressed in Hong Kong dollars)

31. Share option scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s Directors, including independent non-executive Directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity.

For the year ended 31 December 2012

On 7 March 2012, the Company subscribed new share option scheme (“New Scheme -Mar 2012”). A total of 12,300,000 share options were granted under the New Scheme -Mar 2012. The estimated fair value of the share options granted of the New Scheme -Mar 2012 was approximately HK$1,761,000. The closing price of the Company’s shares immediately preceding the date of the grant was HK$0.83.The New Scheme-Mar 2012 shall be valid and effective for a period of ten years commencing on 7 March 2012. On 23 May 2012, the Grantees and the Company have agreed to cancel all the New Scheme A.

The fair value of the granted share options of the New Scheme-Mar 2012 was calculated by Roma Appraisal Limited, an independent professional qualified valuer. The fair value of the granted share options was calculated using the Black-Scholes model. The inputs in the model were as follows:

Share prices as at the grant date:	HK$0.83
Exercise price:	HK$0.94
Expected volatility:	86.61%
Risk-free rate:	0.152%

On 24 August 2012, the Company subscribed a new share option scheme (“New Scheme-Aug 2012”). A total of 23,474,917 share options were granted under the New Scheme-Aug 2012. The estimated fair value of the share options granted of the New Scheme-Aug 2012 was approximately HK$1,491,000. The closing price of the Company’s shares immediately preceding the date of the grant was HK$0.215. The New Scheme-Aug 2012 shall be valid and effective for a period of ten years commencing on 24 August 2012.

The fair value of the granted share options of the New Scheme-Aug 2012 was calculated by Ascent Partners Valuation Service Limited, an independent professional qualified valuer. The fair value of the granted share options was calculated using the 250-step binomial model. The inputs in the model were as follows:

Share prices as at the grant date:	HK$0.215
Exercise price:	HK$0.254
Expected volatility:	62.68%
Risk-free rate:	0.757%

31. Share option scheme *(continued)*

Under the New Scheme-Mar 2012 and Aug 2012, the board of directors of the Company may grant options to eligible 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-Mar 2012 and Aug 2012. The maximum number of shares of the Company in respect of which share options may be granted under the New Scheme-Mar 2012 and Aug 2012 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.

For the year ended 31 December 2011

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.

(Expressed in Hong Kong dollars)

31. Share option scheme *(continued)*

Under the New Scheme, the board of directors of the Company may grant options to eligible 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.

The fair value of the granted share options of the New Scheme was calculated by an independent professional qualified valuer. The fair value of the granted share options was calculated using the binomial option pricing model. The inputs in the model were as follows:

Share prices as at the grant date:	HK$1.45
Exercise price:	HK$1.45
Expected volatility:	61.334%
Risk-free rate:	1.759%

31. Share option scheme *(continued)*

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

2012:

Participant	Date of grant	Exercise price HK$	Exercise period	At 1/1/2012	Grant during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Redescribed during the year	At 31/12/2012
				Number of options ('000)						
Employees	24/3/2011	1.45	24/3/2011 – 23/3/2021	400	–	–	–	–	–	400
	7/3/2012	0.94	7/3/2012 – 6/3/2022	–	12,300	–	–	(12,300)	–	–
	24/8/2012	0.254	24/8/2012 – 23/8/2022	–	23,474	(7,042)	–	–	–	16,432
				400	35,774	(7,042)	–	(12,300)	–	16,832
Weighted average exercise price (in HK$)				1.45	0.254	0.254	–	–	–	0.283

2011:

Participant	Date of grant	Exercise price HK$	Exercise period	At 1/1/2012	Grant during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Redescribed during the year	At 31/12/2011
				Number of options ('000)						
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

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.254 (2011: HK$1.61).

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 and HK$0.254 of New Scheme and New scheme - Aug 2012 respectively. (2011: HK$1.45), and a weighted average remaining contractual life of 9.56 years (2011: 9.2 years)

32. 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	Share-based payment reserve	Warrant reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 2011	34,260	1,020	–	(29,914)	5,366
Loss and total comprehensive expenses 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 and at 1 January 2012	107,366	307	–	(74,552)	33,121
Loss and total comprehensive expenses for the year	–	–	–	(48,050)	(48,050)
Issue of unlisted warrants	–	–	1,400	–	1,400
Share issued under placement net of issuing cost of HK$1,365,000	32,759	–	–	–	32,759
Recognition of equity-settled share based payment	–	3,258	–	–	3,258
Shares issued exercise of warrants	18,630	–	(1,150)		17,480
Shares issued exercise of share options	1,884	(447)	–	–	1,437
Lapse of share options	–	(1,767)	–	1,767	–
At 31 December 2012	**160,639**	**1,351**	**250**	**(120,835)**	**41,405**

32. 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(n)

(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 4(p).

(d) 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 Group is distributable to the extent of HK$535,000 (2011: HK$535,000).

(e) Warrant reserve

The Company subscribed 28,000,000 warrants at an issue price of HK$0.05 per warrant with subscription prices of 0.81 per warrant on 5 March 2011. The total consideration of HK$1,400,000 received are added directly to the warrants reserve in equity in the prior year.

During the year ended 31 December 2012, the subscriber exercised 23,000,000 warrants.

(f) Distribution Reserve

As at 31 December 2012, the Company has no distributable reserve calculated in accordance with the provisions of section 790B of the Hong Kong Company Ordinance.

33. Related party transactions

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Short term benefits	**4,874**	7,524
Post-employment benefits	**144**	12
	5,018	7,536

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

34. Commitments

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Premises:				
Within 1 year	**24**	1,480	**24**	283
After 1 year but within 5 years	**896**	920	**–**	–
	920	2,400	**24**	283

35. Litigation

(i) 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.

On 6 December 2012, the Company and iReady made a joint application which by consent ordered that the sum of HK$3,350,000 paid into Court by the Company in 2010 would be immediately paid out to the solicitors for iReady on behalf of iReady. Accordingly, in the opinion of the directors, the litigation was closed.

ii) On 8 September 2011, the Company received a writ of summons from the subscriber of warrants, Equity Reward Limited ("Equity Reward"). The allegation were focused on the disputes over the interpretation of terms and conditions of the Agreement as amended by the Supplemental Agreements and the issue of the Warrants. Amount of claims and damages had not been stated in the writ. The hearing of the application for summary judgement by Equity Reward, which was first heard on 24th October 2011, was adjourned and was supposed to be heard on 10th April 2012.

However, on 1st March 2012, the Company and Equity Reward had made a deed of settlement ("deed') collaboratively. In the deed, both parties agreed and declared that (i) the Company would issue Warrants to Equity Reward within two working days from the date of receipt of the resolutions passed by Equity Reward and the deed and ii) Equity Reward wholly discontinue the legal proceedings against the Company.

Hence, in the views of directors, this litigation was closed.

iii) On 6 March 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 Special General Meeting dated 19 March 2012. Amount of claims and damages had not been stated in the writ. The Company had appointed a legal advisor to deal with this allegation. In the views of directors, the allegation would not have any financial impact to the financial statements.

35. Litigation *(continued)*

iv) On 14 March 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.

36. Events after the reporting period

i) On 23 January 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company, has completed the acquisition of 28% issued share capital of Neo Partner Investments Limited, which indirectly holds a subsidiary engaged in the business of distribution of smart products in the PRC. The consideration of the acquisition was to HK$23,800,000 and will be satisfied by cash and the issue of promissory note.

ii) On 5 March 2013, the Company entered into the Memorandum Of Understanding with Zhong Bo Xing Ye in relation to the Possible Cooperation in developing a Business-to-consumer commerce platform under the E-Commerce Project within the rural towns and cities of the PRC.

iii) On 5 March 2013, warrant placing agreement was entered between the Company and a placing agent to procure not less than six places to subscribe for 64,130,329 warrants at issue price of HK$0.01 per warrant. The exercise price of the aforesaid warrants is HK$0.53 each.

iv) On 6 March 2013, Silver Bonus Limited, a wholly owned subsidiary of the Company, and Great China Media Holdings Limited entered into a sale and purchase agreement in relation to the acquisition of 45% issued share capital of Full Pace Holdings Limited, which indirectly holds a subsidiary engaged in the license and concessionary advertising business in the mass public transportation systems in the Hong Kong and the distribution of Stratospheres within the territory of the PRC, Hong Kong and Macau. The consideration of the acquisition amounted was HK$50,000,000 and will be satisfied by the issue of promissory note.

v) On 22 March 2013, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for, and aggregate of 5,000,000 Subscription Shares at the Subscription Price of HK$0.70 per Share.

37. Financial instruments

(a) Categories of financial instruments

	2012	2011
	HK$'000	HK$'000
Loans and receivables		
Trade and other receivables	**22,364**	16,902
Cash and bank balances	**3,678**	26,740
	26,042	43,642
Financial liabilities at amortised cost		
Bank overdraft	**1**	1,779
Trade and other payables	**12,186**	9,745
Short-term loans	**–**	4,520
Bank loans	**3,000**	–
	15,187	16,044

(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.

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.

37. Financial instruments *(continued)*

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

Market risk *(continued)*

Sensitivity analysis (continued)

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

	ASSETS		LIABLITIES	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**2,462**	3,075	**622**	2,787
JYP	**6**	6	**–**	–
CHF	**1,751**	797	**–**	92
EUR	**223**	4	**–**	303
USD	**100**	–	**–**	–

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.

	2012	2011
	HK$'000	HK$'000
RMB	**1**	2
JYP	**–**	–
CHF	**12**	6
EUR	**(2)**	(2)
USD	**–**	–

37. Financial instruments *(continued)*

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

Interest rate risk

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

Credit risk management

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

Credit risk is concentrated as 24% (2011: 0.8%) and 81% (2011: 23.8%) 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.

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.

37. Financial instruments *(continued)*

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

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 2012 HK$'000
2012					
Non-derivative financial assets					
Trade and other receivables	**20,016**	**2,348**	**–**	**22,364**	**22,364**
Cash and bank balances	**3,678**	**–**	**–**	**3,678**	**3,678**
	23,694	**2,348**	**–**	**26,042**	**26,042**
Non-derivative financial liabilities liabilities					
Bank overdraft	**1**	**–**	**–**	**1**	**1**
Trade and other payables	**7,654**	**4,532**	**–**	**12,186**	**12,186**
Bank loans	**–**	**3,000**	**–**	**3,000**	**3,000**
	7,655	**7,532**	**–**	**15,187**	**15,187**

37. Financial instruments *(continued)*

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

Liquidity tables *(continued)*

	On demand or less than 3 months	3 months to 1 year	More than 1 year	Total undiscounted cash flows	Total carrying amount at 31 December 2011
	HK$'000	HK$'000	HK$'000	HK$'000	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

(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.

38. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise 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 2012 and 2011.

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	
	2012	2011
	HK$'000	HK$'000
Trade and other payables	**12,186**	9,745
Short-term loans	**–**	4,520
Bank loan	**3,000**	–
Promissory notes	**53,449**	–
Less: Cash and bank balances	**(3,677)**	(24,961)
Net assets/(debt)	**64,958**	(10,694)
Total capital	**50,845**	46,265
Capital and net debt	**115,803**	35,571
Gearing ratio	**56.1%**	N/A

39. Acquisition of assets and liabilities through acquisition of subsidiary

For the year ended 31 December 2012

During the year, Excel Energy Holdings Limited, a wholly owned subsidiary of the Company, acquired the entire equity in Fullway (China) Limited for aggregated consideration of HK$15 million by way of issuance of promissory note in principal amount of HK$15 million. Detail refer to note 19 to the financial statements.

For the year ended 31 December 2011

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 assets acquisition.

Purchase consideration transferred

	HK$'000
Cash	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.

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

Net cash outflow on acquisition of Arnda

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

Pursuant to the sale and purchase agreement of Arnda dated 1 April 2011 and a supplemental agreement dated 17 March 2012 (the "Agreement"), there was a profit guarantee clause in which the Group is entitled to be compensated with a shortfall of guaranted profit. However, no provision for profit guarantee receivable is recognised in the consolidated financial statements 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 with the Vendor and the Guarantor in relation to the profit guarantee clause.

40. Disposal of subsidiaries

Disposal of subsidiaries during the year ended 31 December 2012

During the year 31 December 2012, the Group a wholly owned subsidiary of the Company entered into a sale and purchase agreement for the disposal of the entire equity interests in Chances (B.V.I) Holdings Limited and Splendor Day Limited and its subsidiaries at a cash consideration of US$2.

Consideration received

	2012	2011
	HK$'000	HK$'000
Consideration received in cash and cash equivalent	**1**	–
Total consideration received	**1**	–

40. Disposal of subsidiaries *(continued)*

The cash flow and the carrying amount of net liabilities of the subsidiaries sold or deregistered at the date of disposal were as follows:

	Amounts derecognised HK$'000
Property, plant and equipment	465
Inventories	472
Trade and other receivables	568
Cash and cash equivalents	107
Trade and other payables	(2,137)
Net liabilities disposed of	(525)
Consideration of disposals	1
Gain on disposal of subsidiaries, net	524
Cash consideration received	1
Cash and cash equivalents disposed of	(107)
Net cash inflow arising on disposals	(106)

(Expressed in Hong Kong dollars)

41. Particulars of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affect the results, assets and liabilities of the Group.

Name of company	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		
			2012	2011	**2012**	2011	
Oriental Light (Holdings) Limited	The British Virgin Islands (the "BVI")	HK$25,000,000	**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	PRC	US$7,100,000	**–**	–	**100%**	100%	Manufacturing and trading of ferrules
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 (#)	PRC	HK$27,970,000	**–**	–	**100%**	100%	Manufacturing of synthetic sapphire watch crystals
Fuqing Link Technologies Company Limited	PRC	HK$7,530,000	**–**	–	**100%**	100%	Properties holding
Rich Point International Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Trading of liquor
Arnda Semiconductor Limited	Hong Kong	HK$100,000	**–**	–	**100%**	100%	Integrated circuits and software development and reselling business
象山弘通投資管理有限公司(#)	PRC	US$1,324,000	**–**	–	**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.

(Expressed in Hong Kong dollars)

42. Particulars of the associates

Name of company	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		
			2012	2011	**2012**	2011	
Great Steer Limited	BVI	US$10,000	**20%**	–	**–**	–	Investment holding
Double All Limited	Hong Kong	HK$1	**–**	–	**20%**	–	Investment holding
上海景媒媒體技術有限公司	PRC	RMB500,000	**–**	–	**20%**	–	Selling air time on installed big LED information broadcasting system

43. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2013.

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

	For the year ended 31 December				
	2012	2011	2010	2009	2008
Results	**HK'000**	HK'000	HK'000	HK'000	HK'000
Loss attributable to owners	**(58,362)**	(50,546)	(11,720)	(3,081)	(7,284)

	As at 31 December				
	2012	2011	2010	2009	2008
Assets and liabilities	**HK'000**	HK'000	HK'000	HK'000	HK'000
Total assets	**123,167**	64,881	42,515	19,249	23,195
Total liabilities	**(72,322)**	(18,616)	(23,400)	(18,788)	(22,478)
Owners' equity	**50,845**	46,265	19,115	461	717