



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

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

Stock Code: 8150



First Quarterly Report 2014



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

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



HIGHLIGHTS

1. The Group has recorded total turnover of approximately HK\$11,214,000 for the three months ended 31 March 2014.
2. The Group has recorded a net loss attributable to owners of the Company for the three months ended 31 March 2014 of approximately HK\$12,607,000, representing a basic loss per share of HK cents 2.38.
3. The directors do not recommend the payment of a dividend for the three months ended 31 March 2014.

QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Seamless Green China (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 31 March 2014 together with the unaudited comparative figures for the corresponding period in 2013, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

| | <i>Note</i> | Three months ended 31 March | |
|---|-------------|-----------------------------|------------------|
| | | 2014 HK\$'000 | 2013 HK\$'000 |
| Turnover | 2 | 11,214 | 5,509 |
| Cost of sales | | <u>(9,545)</u> | <u>(5,305)</u> |
| Gross profit | | 1,669 | 204 |
| Other income and gains | | 559 | 202 |
| Gain on disposal of subsidiaries | | 94 | – |
| Operating expenses | | | |
| Selling and distribution costs | | (429) | (142) |
| Administrative and other operating expenses | | <u>(13,779)</u> | <u>(6,803)</u> |



| | | Three months ended 31 March | |
|--|-------------|------------------------------------|-------------|
| | | 2014 | 2013 |
| | | HK\$'000 | HK\$'000 |
| | <i>Note</i> | | |
| Operating loss | | (11,886) | (6,539) |
| Share of profit/(losses) of associates | | 643 | (53) |
| Finance costs | | (1,364) | (1,116) |
| | | <hr/> | <hr/> |
| Loss before taxation | | (12,607) | (7,708) |
| Income tax expense | 3 | <hr/> – | <hr/> – |
| | | <hr/> | <hr/> |
| Loss for the quarter | | 12,607 | (7,708) |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations | | (142) | 503 |
| | | <hr/> | <hr/> |
| Total comprehensive expense for the quarter | | (12,749) | (7,205) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Loss attributable to equity shareholders of the Company | | (12,607) | (7,708) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Total comprehensive expense attributable to equity shareholders of the Company | | (12,749) | (7,205) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Loss per share | 4 | | |
| Basic – for the quarter | | (2.38 cents) | (2.2 cents) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Diluted – for the quarter | | N/A | N/A |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*For the three months ended 31 March 2014*

| | Share capital HK\$'000 | Share premium HK\$'000 | Revaluation reserve HK\$'000 | Warrant reserve HK\$'000 | Exchange reserve HK\$'000 | Share-based payment reserve HK\$'000 | Accumulated losses HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|---------------------------------|-----------------------------|------------------------------|---|--------------------------------|---------------------------------------|-------------------|
| As at 1 January 2013 | 17,282 | 160,639 | 535 | 250 | 2,578 | 1,351 | (131,790) | - | 50,845 |
| Loss for the quarter | - | - | - | - | - | - | (7,708) | - | (7,708) |
| Exchange differences on translation of the financial statements of foreign subsidiaries | - | - | - | - | 503 | - | - | - | 503 |
| Total comprehensive (expense)/income for the quarter | - | - | - | - | 503 | - | (7,708) | - | (7,205) |
| Issue of shares:- | | | | | | | | | |
| - option exercised | 587 | 3,140 | - | - | - | (746) | - | - | 2,981 |
| - warrants exercised | 120 | 1,944 | - | (120) | - | - | - | - | 1,944 |
| As at 31 March 2013 | <u>17,989</u> | <u>165,723</u> | <u>535</u> | <u>130</u> | <u>3,081</u> | <u>605</u> | <u>(139,498)</u> | <u>-</u> | <u>48,565</u> |
| As at 1 January 2014 | 24,256 | 248,705 | 535 | 240 | 4,319 | 34,532 | (284,137) | (1,478) | 26,972 |
| Loss for the quarter | - | - | - | - | - | - | (12,607) | - | (12,607) |
| Exchange differences on translation of the financial statements of foreign subsidiaries | - | - | - | - | (142) | - | - | - | (142) |
| Total comprehensive expense for the quarter | - | - | - | - | (142) | - | (12,607) | - | (12,749) |
| Recognition of equity-settled share-based payments | - | - | - | - | - | 7,031 | - | - | 7,031 |
| Issue of shares: | | | | | | | | | |
| - warrants exercised | 100 | 980 | - | (20) | - | - | - | - | 1,060 |
| - shares | 2,300 | 55,880 | - | - | - | - | - | - | 58,180 |
| As at 31 March 2014 | <u>26,656</u> | <u>305,565</u> | <u>535</u> | <u>220</u> | <u>4,177</u> | <u>41,563</u> | <u>(296,744)</u> | <u>(1,478)</u> | <u>80,494</u> |



NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

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

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual accounts for the year ended 31 December 2013. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 January 2014. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group's accounting policies.

2. Turnover

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

3. Income tax expense

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

| | | Three months ended 31 March | |
|-----------------------|-------------|------------------------------------|----------|
| | <i>Note</i> | 2014 | 2013 |
| | | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | <i>(i)</i> | – | – |
| Overseas profits tax | <i>(ii)</i> | – | – |
| | | <u>–</u> | <u>–</u> |
| | | <u>–</u> | <u>–</u> |

Notes:

- (i) Hong Kong profits tax has been provided for in the financial statements at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong in the period.
- (ii) Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period.



(b) There are no material unrecognized deferred tax for the period.

4. Loss per share

The calculation of basic loss per share for three months ended 31 March 2014 is based on the Group's loss attributable to equity shareholders of the Company for the period of approximately HK\$12,607,000 (2013: approximately HK\$7,708,000) and on the weighted average number of 529,781,087 (2013: 350,364,134).

For three months ended 31 March 2014 and 2013 diluted loss per share has not been disclosed as the potential shares arising from the exercise of the Company's share options and warrants would decrease the loss per share of the Group for the period and is regarded as anti-dilutive.

5. Commitments

Commitments under operating leasers

At 31 March 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Unaudited | |
|---------------------------------------|------------------|-------------|
| | 31 March | |
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Within one year | 214 | 234 |
| In the second to fifth year inclusive | – | 233 |
| | <hr/> | <hr/> |
| | 214 | 467 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. Contingent liabilities

At 31 March 2014, the Group had no material contingent liabilities (31 March 2013: Nil).



DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period the Group recorded an increase in turnover as compared to previous corresponding period. Loss attributable to equity shareholders of the Company for the three months ended 31 March 2014 was increased as compared to the corresponding period in 2013. The increase in loss was mainly due to the recognition of share-based payment of approximately HK\$7,031,000. The turnover was approximately HK\$11,214,000 (2013: approximately HK\$5,509,000), representing an increase of 103.56% as compared to the same period in last year. The increase in turnover was mainly due to the increase in market demand in the watch sector as compared to last year. Loss attributable to equity shareholders of the Company for the three months ended 31 March 2014 was approximately HK\$12,607,000 (2013: approximately HK\$7,708,000).

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

On 8 July 2013, a wholly owned subsidiary of the Company, Option Best Limited ("Option Best"), has signed a memorandum of understanding (the "MOU") with (1) the joint venture company, Power Asia Global Investments Limited (力亞環球投資有限公司) (the "JV Co."); (2) On Charter Global Investments Limited (安卓環球投資有限公司) ("On Charter"); and (3) Mr. Fang Rongzi, in respect of Option Best's and On Charter's investment in the JV Co, (the "Proposed Investments").

Pursuant to the MOU, Option Best has paid to the JV Co. in cash HK\$30,000,000 as earnest money (the "Earnest Money") for the Proposed Investments upon the signing the MOU. Nevertheless, the exact investment amounts of Option Best and On Charter into the JV Co. and whether the Proposed investments shall be settled in cash or in kind shall be subject to further negotiations between Option Best and On Charter based on the proposed business projects to be carried out by the JV Co. The MOU provided that On Charter and the JV Co. should grant to Option Best an exclusive right to discuss, negotiate and finalise a joint venture agreement (the "JV Agreement") for the Proposed Investments. The MOU was expired during the period.



On 10 January 2014, the Company completed the acquisition of 18% issued share capital of World Sheen International Group Limited, which directly holds a subsidiary engaged in providing solar power and lighting solutions and sale of PV panels. The consideration of the acquisition was approximately HK\$52,000,000 and was satisfied by issuance of 40,000,000 consideration share at HK\$1.3 each.

On 30 January 2014, Mr. Lee Man Bun and the Company entered into the sale and purchase agreement, pursuant to which the Company would acquire 16,595,000 ordinary shares of £0.01 each in the issued share capital of Gowin New Energy Group Limited, a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on AIM of the London Stock Exchange at the consideration of HK\$15,725,280. The consideration would be satisfied in full by the Company's allotment and issue of 13,556,276 Shares at the issue price of HK\$1.16 per Share. The transaction was completed on 2 April 2014.

The Board considered that the shares acquired have the potential of appreciation in value in the long-run, as the Board believed that Gowin New Energy Group Limited and its subsidiaries should be able to take advantage of favourable market and industry conditions, in particular the popularity of energy saving concepts which, when combined with incentives from the PRC central government, improvements in LED technology and the decrease in prices of LED lighting solutions in the PRC, are making LED solutions more affordable.

On 28 February 2014, Silver Bonus Limited, a limited liability company incorporated under the laws of British Virgin Islands and a wholly-owned subsidiary of the Company, He A Jiao and Dai Zhongjin and the Company entered into the Sale and Purchase Agreement whereby Silver Bonus Limited has conditionally agreed to acquire from He A Jiao and Dai Zhongjin the 20 shares in the issue share capital of Central Tech Asia Limited ("Central Tech"), representing 20% of the issued share capital of Central Tech, for the consideration of HK\$26,000,000 which shall be satisfied by the allotment and issue, credited as fully paid, of 20,000,000 Shares of the Company at an issue price of HK\$1.3 per share to He A Jiao and Dai Zhongjin on the completion date.

He A Jiao and Dai Zhongjin granted to Silver Bonus Limited a call option to purchase up to all the option shares (an aggregate of 80 shares beneficially owned by He A Jiao and Dai Zhongjin, and representing 80% of the entire issued share capital of the Central Tech immediately after Completion) each at the exercise price within exercise period of 12 months upon signing of the Agreement which shall be calculated by reference to the following formula:

Exercise Price = $130,000,000 \times \text{option shares at each call option notice} / \text{Total number of issued shares of the Central Tech}$



The option shares should be sold by He A Jiao and Dai Zhongjin free from encumbrances and together with all rights attaching thereto as at each call completion date. Silver Bonus Limited might itself purchase the option shares or procure its group companies to do so.

Upon completion, Central Tech would be accounted for as an investment available for sale in the financial statements of the Company. The transaction was completed on 25 April 2014.

With reference to the disposal of the entire equity interests in Arnda Semiconductor Limited and its subsidiary (“Disposal”), due to certain condition precedent to the Disposal had not been fulfilled on 16 February 2014, being the Long Stop Date for the Disposal, on 24 March 2014, the disposal agreement relating to the Disposal has been lapsed and terminated. The termination for the Disposal does not constitute any change in intention of Company and the Arnda Group will continue to be classified as disposal group classified as held for sales in the consolidated financial statements of the Group.

On 31 March 2014, Jewel King Limited (“Jewel King”), a limited liability company incorporated under the laws of British Virgin Islands and a wholly-owned subsidiary of the Company, Element of eLiving (Holdings) Limited, Yang Li, Chen Li Ring and Ye Jian Yong (collectively “Three Vendors”) and Element of eLiving Hong Kong Limited (香港元素生活電子商務有限公司) (“eLiving”) entered into the Sale and Purchase Agreement whereby Jewel King has conditionally agreed to acquire from the Three Vendors 5,100 shares in the issued share capital of eLiving, representing 51% of the issued share capital of eLiving, for the consideration of HK\$144,230,770. Upon Completion, eLiving will become a subsidiary of the Company. eLiving would directly owned Sichuan Element of eLiving Company Limited (“Sichuan Element”). Sichuan Element is a limited liability company incorporated under the laws of PRC on 17 April 2012. The principal business of Sichuan Element was electronic commerce specializing in online retail and sale of household items (including without limitation, household merchandises, household ornaments, household textile, furniture, apparel, bags, shoes, maternal and child products), food items (including without limitation, imported packaged food, beverages, wines and spirits) and digital appliances (including without limitation, household electronic appliances, digital communication devices, computers and high-tech products) in mainland China. Sichuan Element would also set up “experience centres” for potential customers to try out the products before purchasing online, and for providing seasonal maintenance and storage services for customers.

CAPITAL STRUCTURE

On 10 January 2014, for the continuing financial advisory service provided to the Company by Chanceton Capital Partners Limited, the financial advisory fee would be satisfied by the issue of 1,000,000 Remuneration Shares to Chanceton Capital at an issue price of HK\$1.18 per Remuneration Share. The issue of Remuneration Shares was completed on 15 January 2014.

On 10 January 2014, the Company issued 40,000,000 shares at an issue price of HK\$1.3 per share for the consideration paid in respect of the acquisition of World Sheen International Group Limited.

On 29 January 2014, the Company has granted, subject to acceptance of the grantees (“Grantees”), share options (the “Options”) to certain eligible persons under the share option scheme of the Company adopted on 8 March 2011, to subscribe for a total of 9,700,000 ordinary shares of HK\$0.05 each of the Company at an exercise price of HK\$1.16 per share.

During the period, 2,000,000 ordinary shares of HK\$0.05 at a subscription price of HK\$0.53 were issued in respect of the exercise of warrants.

On 19 February 2014, the Company entered into the Subscription Agreements. Pursuant to the Subscription Agreements, the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, the Subscription Shares at the Subscription Price of HK\$1.00 per Subscription Share. The aggregate consideration for the Subscriptions is HK\$5,000,000. The Subscriptions was completed on 5 March 2014.



LITIGATION

- i) 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.
- ii) 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.
- iii) On 28 February 2014, Excel Energy Holdings Limited, a wholly owned subsidiary of the Company and the Company named as the 1st defendant and 2nd defendant (“Defendants”) in respect of the allegations that the Defendants failed and/or refused to honour their respective obligations under agreement dated 3 December 2013 for the disposal of the entire equity interests in Fullway (China) Limited and its subsidiary at a consideration of HK\$13,800,000, for which the plaintiff paid HK\$7,900,000 as an initial deposits to the Defendant. The Company had appointed a legal adviser to deal with this allegation. In view of the directors, the maximum exposure of the allegation would be the repayment of the initial deposits of HK\$7,900,000 and the related interests thereon under the High Court Ordinance.



iv)

On 27 March 2014, Good Return (BVI) Limited (a wholly-owned subsidiary of the Company) (“Good Return”) issued writs of summons against Wickham Ventures Limited (“Wickham”) and Ms. Lee Hei Wun (“Ms. Lee”) for claiming, inter alia, the profit guarantee shortfall in the sum of HK\$3,000,000 as a result of the inability of Arnda Semiconductor Limited (“Arnda”) to make any profit during the year ended 31 December 2012. Reference is made to the Company’s announcements dated 6 April 2011, 19 March 2012 and 24 March 2014. Pursuant to the sale and purchase agreement under which Good Return acquired Arnda Semiconductor Limited from Wickham in 2011, Wickham and Ms. Lee guarantee to pay to Good Return the difference between the actual amount of net profit after tax of Arnda and the guaranteed profit in the sum of HK\$3,000,000 for the year ended 31 December 2012. According to the audited accounts of Arnda for the year ended 31 December 2012, Arnda made a loss of HK\$1,252,101 and thus the profit guarantee shortfall is HK\$3,000,000, which Wickham and Ms. Lee have failed to pay to Good Return despite its demand.

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

FINANCIAL REVIEW

The Group’s unaudited consolidated turnover for the three months ended 31 March 2014 was approximately HK\$11,214,000, representing an increase of approximately HK\$5,705,000 or 103.56% for the same period of last year. Increase in turnover was mainly due to the increase in market demand.

Operating expenses for the three months ended 31 March 2014 were approximately HK\$14,208,000 representing an increase of approximately HK\$7,263,000 or 104.58% for the same period of last year. Increase in operating expenses was mainly due to the recognition of share-based payment of approximately HK\$7,031,000 during the period.

Sapphire watch crystals division

The turnover of the sapphire watch crystals for the three months ended 31 March 2014 was approximately HK\$10,003,000 (2013: approximately HK\$4,639,000) representing an increase of approximately HK\$5,364,000 which was mainly due to increase in the market demand.



Optoelectronics products division

The Group's optoelectronics products division recorded a turnover of approximately HK\$1,211,000 for the three months ended 31 March 2014 (2013: approximately HK\$116,000) representing an increase of approximately HK\$1,045,000. Increase in sales was mainly due to increase in market demand.

Liquor products division

No turnover is recorded for the three months ended 31 March 2014 (2013: Nil).

Integrated circuits and embedded software trading and development division

No turnover is recorded for the three months ended 31 March 2014 (2013: HK\$ HK\$754,000).

Foreign Exchange

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

Material acquisitions and disposal of subsidiaries and affiliated companies

During the period, the Group disposed certain subsidiaries which resulted in a gain on disposal of approximately HK\$94,000.

During the period, the Group acquired 18% of the issued share capital of World Sheen International Group Limited for the consideration of HK\$52,000,000, which was satisfied by the allotment and issue of 40,000,000 shares of HK\$1.3 per share.

Save as above, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies.



PROSPECTS

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

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

On 2 April 2014, the Company entered into the MOU with Le Huo Agricultural Information and Technology Company Limited ("Le Huo") in relation to the possible acquisition of the Subsidiary(ies) of Le Huo that has/have a positive outlook as contemplated under the MOU. Le Huo and its subsidiaries were principally engaged in promoting the lifestyles of health and sustainability ("LOHAS"), marketing LOHAS organic food and products, and developing software, new media and Internet of Things, and business investment and integrated commerce. It also develops, through Internet and Internet of Things, a sharing platform with the inclusion of the e-Commerce model of Online to Offline ("O2O") for LOHAS consumers. Basically this means that the online advertising will effectively direct the LOHAS consumers to offline sales. The introduction of this powerful sharing platform promotes the idea of LOHAS in a city.

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



SHARE OPTION SCHEME

Under the share option scheme (“New scheme”) adopted by the Company in 8 March 2011, the board of directors of the Company may grant options to eligible full-time or part-time employees (including any executive, non-executive and independent non-executive directors), supplier, customer, shareholder and adviser or consultant of any members of the Group and any person or entity that provides research, development or other technological support to any members of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the New Scheme. The maximum number of shares of the Company in respect of which share options may be granted under the New Scheme and any other schemes of the Company must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time. The total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheets on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

Details of options granted are as follows:

| Options type | Date of grant | Exercisable period | Exercise price | Fair value at grant date | Remaining contractual life of options |
|--------------|---------------|-------------------------|----------------|--------------------------|---------------------------------------|
| 2011 | 24/3/2011 | 24/3/2011 – 23/3/2021 | HK\$1.45 | HK\$0.7246 | 8 years |
| 2011 | 19/11/2013 | 19/11/2013 – 18/11/2023 | HK\$1.594 | HK\$0.9225 | 10 years |
| 2011 | 29/1/2014 | 29/7/2014 – 28/2/2024 | HK\$1.16 | HK\$0.7248 | 10 years |

The following table discloses movements of the Company's share options held by employees and directors during the period ended 31 March 2014:

| Participant | Date of grant | Exercise price HK\$ | Exercise period | Number of options ('000) | | | | | | At 31/3/2014 |
|----------------------------|---------------|------------------------|----------------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------|
| | | | | At | Granted | Exercised | Cancelled | Lapsed | Redescribed | |
| | | | | 1/1/2014 | during the period | during the period | during the period | during the period | during the period | |
| Directors | 19/11/2013 | 1.594 | 19/11/2013 – 18/11/2023 | 23,400 | - | - | - | - | - | 23,400 |
| Employees & consultants | 24/3/2011 | 1.450 | 24/3/2011 – 23/3/2021 | 400 | - | - | - | - | - | 400 |
| | 19/11/2013 | 1.594 | 19/11/2013 – 18/11/2023 | 13,700 | - | - | - | - | - | 13,700 |
| | 29/1/2014 | 1.16 | 29/7/2014 – 28/2/2024 | - | 9,700 | - | - | - | - | 9,700 |
| | | | | <u>37,500</u> | <u>9,700</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>47,200</u> |



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2014, the interests and short positions of the Directors and Chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations are as follows:–

| Name of director | Capacity | No. of shares | Underlying shares | Long/Short Position | Approximate percentage of total relevant class of shares in shares |
|-----------------------|------------------|---------------|-------------------|---------------------|--|
| Li Jian Chao | Beneficial owner | – | 4,850,000 | Long Position | 0.91% |
| Liu Zhong Ping | Beneficial owner | – | 4,850,000 | Long Position | 0.91% |
| Xu Xuefeng | Beneficial owner | – | 4,850,000 | Long Position | 0.91% |
| Leung Wah | Beneficial owner | – | 2,000,000 | Long Position | 0.38% |
| Lee Po Chu Feona | Beneficial owner | – | 4,850,000 | Long Position | 0.91% |
| Fok Ching Fung Samuel | Beneficial owner | – | 2,000,000 | Long Position | 0.38% |

As at 31 March 2014, save as disclosed above and in the paragraph headed “Share Option Scheme” above, none of the directors and chief executive of the Company has any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.



DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests in securities" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SECURITIES

As at 31 March 2014, 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 <i>(Note 1)</i> |
|----------------------|------------------|------------------|-------------------|---------------------|--|
| Fang Rongzi | Beneficial owner | 36,080,000 | | - Long Position | 6.77% |

Notes:

- The percentage is calculated based on 533,114,420 shares in issue as at 31 March 2014.

So far as is known to any director or supervisor, there is no person other than a Director or supervisor or chief executive who, as at 31 March 2014, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.



MANAGEMENT SHAREHOLDERS' INTERESTS IN SECURITIES

Other than the interests disclosed above in respect of the substantial shareholders, the directors and chief executive of the Company and their associates (as defined in the GEM Listing Rules), as at 31 March 2014, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

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

Neither the Company nor its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's shares during the three months ended 31 March 2014.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period ended 31 March 2014.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

For the three months ended 31 March 2014, the Company fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules.

COMPETING INTERESTS

During the three months ended 31 March 2014, none of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

AUDIT COMMITTEE

As required by Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. As at the date of this report, the audit committee comprises five independent non-executive directors, namely Mr. Jal Nadirshaw Karbhari (Chairman), Ms. Chan Wing Sze, Mr. Tse Wa Ngok, Mr. Zou Weijun and Mr. Koo Kim Shing.

The Company's financial statements for the three months ended 31 March 2014 have been reviewed by the audit committee. The audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the GEM Listing Rules.

By Order of the Board
Liu Zhong Ping
Executive Director

Hong Kong, 15 May 2014

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

- (1) Mr. Li Jian Chao, as an executive Director and Chairman;
- (2) Mr. Xu Xuefeng, as an executive Director;
- (3) Mr. Liu Zhong Ping, as an executive Director;
- (4) Mr. Leung Wah, as an executive Director;
- (5) Ms. Lee Po Chu Feona, as an executive Director;
- (6) Mr. Fok Ching Fung, as an executive Director;
- (7) Mr. Jal Nadirshaw Karbhari, as an independent non-executive Director;
- (8) Ms. Chan Wing Sze, as an independent non-executive Director;
- (9) Mr. Tse Wa Ngok, as an independent non-executive Director;
- (10) Mr. Zou Weijun, as an independent non-executive Director; and
- (11) Mr. Koo Kim Shing, as an independent non-executive Director.