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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Seamless Green China (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### Seamless Green China (Holdings) Limited 無縫綠色中國（集團）有限公司

*(Incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)*  
(Stock Code: 8150)

#### **TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND ADOPTION OF A NEW SHARE OPTION SCHEME; REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES; CONNECTED TRANSACTION – ISSUE OF NON-LISTED WARRANTS UNDER A SPECIFIC MANDATE; AND NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser



**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**South China Capital Limited**

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A letter from the independent committee (the “Independent Board Committee”) of the board of directors of the Company is set out on pages 25 to 26 of this Circular. A letter from South China Capital Limited, the independent financial adviser of the Company, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 27 to 38 of this circular.

A notice convening a special general meeting of Seamless Green China (Holdings) Limited to be held at Unit A, 23/F, CMA Building, 64-66 Connaught Road Central, Hong Kong at 9:30 a.m. on Tuesday, 8 March 2011 is set out on pages 60 to 64 of this circular. Whether or not you propose to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as practicable but in any event no later than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

21 February 2011

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## CHARACTERISTICS OF GEM

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

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

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“bye-laws”	the bye-laws of the Company from time to time
“Company”	Seamless Green China (Holdings) Limited, a company incorporated in the Cayman Islands and re-domiciled and continued in the Bermuda with limited liability, the issued Shares of which are listed on GEM
“Conditions Precedent”	the conditions precedent set out in the Warrant Subscription Agreement
“connected persons”	has the meaning ascribed thereto in the GEM Listing rules
“Directors”	directors of the Company
“Existing General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 15 April 2010 to issue or deal with up to a maximum of 16,960,000 new Shares
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 21 July 2001
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM

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## DEFINITIONS

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“General Scheme Limit”	the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option scheme of the Group and which must not in aggregate exceed 10% of the Shares in issue as at the day of the passing of the relevant ordinary resolution approving the New Share Option Scheme
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising the independent non-executive Directors, namely Mr. Liu Chun Ning, Wilfred, Mr. Tsui Siu Hung, Mr. Tso Chip and, Mr. Lee Tao Wai to advise the Independent Shareholders as to the New General Mandate and the Warrant Subscription
“Independent Third Party(ies)”	a party(ies) and, if applicable, the ultimate beneficial owner(s) of the party(ies) who does/do not fall into the definition of connected persons to the Company under Chapter 20 of the GEM Listing Rules
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors), chief executive of the Company and their respective associates
“Invested Entity”	any entity in which any member of the Group holds an equity interest
“Latest Practicable Date”	16 February 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Last Trading Day”	30 December 2010, being the last trading day for the Shares before the entering into the Warrant Subscription Agreement

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## DEFINITIONS

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“New General Mandate”	the mandate proposed to be sought at the SGM to authorize the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the SGM, a summary of its principal terms is set out in Appendix I to this circular
“Option”	an option (if any) to subscribe for Shares granted or to be granted under the Existing Share Option Scheme or the New Share Option Scheme, as the context requires
“Participant(s)”	<p>means any of the following:</p> <ul style="list-style-type: none"><li>(a) any executive or non-executive directors (including independent non-executive directors) or any employees (whether full-time or part-time) of the Company, any Subsidiary or any Invested Entity;</li><li>(b) any supplier of goods or services to any member of the Group or any Invested Entity;</li><li>(c) any customer of the Group or any Invested Entity;</li><li>(d) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;</li><li>(e) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;</li></ul>

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## DEFINITIONS

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	(f) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
	(g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.
“PRC”	the People’s Republic of China and for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at Unit A, 23/F, CMA Building, 64-66 Connaught Road Central, Hong Kong at 9:30 a.m. on Tuesday, 8 March 2011 to consider and, if thought fit, pass the resolutions to approve, among others, the termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme, the refreshment of the Existing General Mandate and the Warrant Subscription
“Share(s)”	Share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“South China Capital Limited” or “Independent Financial Advisor”	a registered institution under the SFO permitted to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee for the purpose of advising and recommending the Independent Board Committee and the Independent Shareholders on the refreshment of the Existing General Mandate and the Warrant Subscription

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Equity Reward Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Lam Ping Cheung, Andrew, the chairman of the Company and an executive Director
“Subsidiary”	a company which is for the time being and from time to time a subsidiary or a subsidiary undertaking (within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong, the Cayman Islands, the British Virgin Islands, the People’s Republic of China or elsewhere or any entity which is accounted for or consolidated in the audited accounts of the Company pursuant to the applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards
“Substantial Shareholder”	has the meaning ascribed thereto in the GEM Listing Rules
“Warrant(s)”	28,000,000 non-listed warrants to be issued by the Company at the Warrant Subscription Price, each entitles the holder thereof to subscribe for one Warrant Share at the Warrant Exercise Price (subject to adjustment) at any time during a period of thirty-six (36) months commencing from the date immediately after the date of issue of the Warrants
“Warrant Issue Price”	HK\$0.05, being the issue price per Warrant payable in full on application under the Warrant Subscription Agreement
“Warrant Share(s)”	Up to 28,000,000 new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants



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## DEFINITIONS

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“Warrant Subscription”	The subscription for 28,000,000 Warrants pursuant to the terms of the Warrant Subscription Agreement
“Warrant Subscription Agreement”	The conditional subscription agreement dated 30 December 2010 and entered into between the Company and the Subscriber in relation to the Warrant Subscription (as amended pursuant to a supplemental agreement dated 14 February 2011 made between the same parties)
“Warrant Subscription Completion Date”	The second Business Day following the date on which the Conditions Precedent are fulfilled
“Warrant Subscription Price”	An initial exercise price of HK\$0.81 per Warrant Share (subject to adjustment) at which holder of the Warrants may subscribe for the Warrant Share(s)
“%”	per cent

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## LETTER FROM THE BOARD

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### Seamless Green China (Holdings) Limited 無縫綠色中國（集團）有限公司

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

**(Stock Code: 8150)**

*Executive Directors:*

Mr. Lam Ping Cheung Andrew (*Chairman*)  
Mr. Chan Chung Keung Jackson  
Mr. Wong Pak Fai Philip  
Mr. Wong Kwok Wai  
Mr. Zhao Wen Tao  
Mr. Chung Ming Tru, Daniel  
Ms. Chan Yim Kum  
Ms. Tang Man Lai

*Independent Non-executive Directors:*

Mr. Liu Chun Ning, Wilfred  
Mr. Tsui Siu Hung  
Mr. Tso Chip  
Mr. Lee Tao Wai

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal Place of Business  
in Hong Kong:*

Unit 1906-07, 19/F  
Cosco Tower  
183 Queen's Road Central  
Hong Kong

21 February 2011

*To the Shareholders,*

Dear Sir or Madam,

**TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND  
ADOPTION OF A NEW SHARE OPTION SCHEME;  
REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES;  
CONNECTED TRANSACTION – ISSUE OF NON-LISTED  
WARRANTS UNDER A SPECIFIC MANDATE;  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

#### **INTRODUCTION**

The Directors proposed to terminate the Existing Share Option Scheme and adopt the New Share Option Scheme, refresh the Existing General Mandate by way of grant of the New General Mandate and issue the Warrants under a specific mandate.

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## LETTER FROM THE BOARD

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The Company announced that on 30 December 2010 (after trading hours), the Company entered into the Warrant Subscription Agreement with the Subscriber pursuant to which the Company has agreed to issue and the Subscriber has agreed to subscribe for the Warrants.

As the Subscriber is beneficially owned by an executive Director and thus, a connected person of the Company, the subscription for the Warrants constitutes a non-exempt connected transaction on the part of the Company under the GEM Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

The purpose of this circular is to provide you with: (i) further details of the refreshment of the Existing General Mandate; (ii) further information regarding the Warrant Subscription Agreement and the proposed issue of the Warrants; (iii) the recommendation from the Independent Board Committee relating to the refreshment of the Existing General Mandate and the terms of the Warrant Subscription Agreement and the proposed issue of the Warrants; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the refreshment of the Existing General Mandate and the proposed issue of the Warrants; (v) the particulars of the New Share Option Scheme; and (vi) the notice of SGM.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same. A copy of the rules of the New Share Option Scheme is available for inspection at the principal place of business of the Company at Unit 1906-07, 19/F., Cosco Tower, 183 Queen's Road Central, Hong Kong during normal business hours for a 14-day period immediately preceding the SGM.

### **TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME**

The Existing Share Option Scheme was adopted by the Company on 21 July 2001 and will be terminated on the date on which the New Share Option Scheme comes into effect upon the fulfillment of the conditions set out below. Upon termination of the Existing Share Option Scheme, no further Options will be granted thereunder, but the provisions of the Existing Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of Options (to the extent not already exercised) granted prior to its termination or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination will continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

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## LETTER FROM THE BOARD

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The coming into effect of New Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution at the SGM approving the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme, and authorizing the Directors to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Option; and
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Options that may be granted under the New Share Option Scheme up to the General Scheme Limit.

As at the Latest Practicable Date, there were 141,665,882 Shares in issue. Assuming that there are no further allotment of Shares from the Latest Practicable Date up to the date of approval of the New Share Option Scheme, Options to subscribe for up to 14,166,588 Shares may be issued under the New Share Option Scheme and any other schemes of the Company pursuant to Rule 23.03(3) of the GEM Listing Rules, representing 10% of Shares in issue as at the date of approval of the New Share Option Scheme.

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are critical for the calculation of the value of such Options cannot be determined. These variables include but not limited to, the subscription price payable for the Shares upon the exercise of subscription rights attaching to the Options, whether or not Options will be granted under the New Share Option Scheme and the timing of the granting of such Options, the period during which the subscription rights may be exercised, the discretion of the Board to impose any performance target that has to be achieved before the subscription rights attaching to the Options can be exercised and any other conditions that the Board may impose with respect to the Options and whether or not such Options, if granted, will be exercised. The subscription price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant Options under the New Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme and, if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility to which the price of the Shares may be subject to during the ten-year life span of the New Share Option Scheme. The Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

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## LETTER FROM THE BOARD

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The Company is not required to appoint any trustee for the purpose of administering the New Share Option Scheme. The New Share Option Scheme will be subject to administration of the Board. None of the Directors is or will be a trustee of the New Share Option Scheme or have a direct or indirect interest in any such trustee.

No Shareholder is required to abstain for voting of the adoption of the New Share Option Scheme.

### **Application for listing**

An application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options that may be granted under the New Share Option Scheme up to the General Scheme Limit.

### **Reasons for adopting the New Share Option Scheme**

The Existing Share Option Scheme will expire on 20 July 2011. The Directors consider that it is appropriate to adopt the New Share Option Scheme. The purpose of the New Share Option Scheme is to enable the Group to recruit and retain senior executives and key employees, attract human resources that are valuable to the Group and the Invested Entity, and motivate employees' performance measurable against key drivers of value to the Shareholders and to provide suppliers and customers of the Group or any Invested Entity with direct economic interest in attaining the long term business objectives of the Group. With this in mind, the management of the Company proposes that the Existing Share Option Scheme shall be replaced by the New Share Option Scheme so as to further expand the exact scope of Participants that the New Share Option Scheme is intended to benefit. The scope of Participants under the New Share Option Scheme is wider than that under the Existing Share Option Scheme so that not only does it encompass full time and part time employees, directors (including non-executive Directors and independent non-executive Directors), any consultant, advisers of the Group and the Invested Entity and other persons who, at the sole determination of the Board, have made contributions to the Group, but it also encompasses suppliers and customers of the Group or any Invested Entity, which are not included in the scope of Participants under the Existing Share Option Scheme. The New Share Option Scheme also expressly provides that, the Board may, with respect to each grant of Options, determine the exercise price (being not less than the minimum price specified in the GEM Listing Rules), the conditions precedent and any performance targets that apply to the Options. The terms of the New Share Option Scheme provide that in granting Options under the New Share Option Scheme, the Board may offer to grant any Options subject to such terms and conditions in relation to the minimum period of the Options to be held and/or the performance criteria to be satisfied before such Options can be exercised and/or any other terms as the Board may determine

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## LETTER FROM THE BOARD

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in its absolute discretion. The Board will also have discretion in determining the subscription price in respect of any Option. The Directors are of the view that the flexibility given to the Directors to impose the minimum period for which the Options have to be held and performance targets and other conditions that have to be achieved before the Options can be exercised, will place the Group in a better position to attract and retain human resources that are valuable to the growth and development of the Group as a whole. There are no businesses or interests of the Directors that compete or may compete with the business of the Group.

### REFRESHMENT OF EXISTING GENERAL MANDATE

At the annual general meeting of the Company held on 15 April 2010, the Shareholders passed among others, ordinary resolution to grant the Directors the Existing General Mandate to issue, allot and otherwise deal with a maximum of 16,960,000 Shares, representing 20% of the total nominal amount of the share capital of the Company in issue on the date of passing such resolution. The Existing General Mandate has been utilized as to 16,960,000 Shares, representing 100% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate, as a result of the issue of 16,960,000 new placing shares on 15 November 2010 by a placing agent. The net proceeds of the said placing shares amounted to approximately HK\$10.1 million and which will be utilized for general corporate and working capital of the Group and as funds for future development of the Company when investment opportunities arise. There has been no refreshment of the Existing General Mandate since the annual general meeting held on 15 April 2010.

According to the bye-laws of the Company, the Company should held annual general meeting within 15 months after the last annual general meeting, which is 15 July 2011, the annual general meeting is expected to be held sometimes in May, or latest June of 2011.

As the refreshment of the Existing General Mandate is proposed to the Shareholders before the Company's next annual general meeting, pursuant to the GEM Listing Rules, the refreshment of the Existing General Mandate will be subject to the Independent Shareholders' approval by way of poll at the SGM.

### REASONS FOR REFRESHMENT OF THE EXISTING GENERAL MANDATE

Save for the open offer of 1,995,294,112 shares of HK\$0.001 each in the share capital of the Company at the subscription price of HK\$0.01 per such share, which raised a net proceeds of approximately HK\$19.5 million of which approximately HK\$3.3 million was deposited into the court (details was disclosed in the Company's announcement dated 8 December 2010), approximately HK\$4.6 million will be used as an investment in the JV company pursuant to the agreement dated 28 April 2009 and the supplemental agreement dated 23 March 2010, approximately HK\$1.8 million for administrative expenses of the Company, approximately HK\$4.0 million for legal and professional fees of the Company and approximately HK\$1.2 million for net cash outflow from the operation of the subsidiaries (details of the open offer was disclosed in the Company's announcements dated 25

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## LETTER FROM THE BOARD

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August 2010 and 13 October 2010 and the prospectus dated 17 September 2010), and placing of 16,960,000 Shares at the subscription price of HK\$0.62 per such Share under the Existing General Mandate, which raised a net proceeds of approximately HK\$10.1 million that has been fully utilized as repayment of Shareholder's loan of approximately HK\$7.2 million and in the project of energy-efficient street lamp business of approximately HK\$2.9 million (details of the placing was disclosed in the Company's announcement dated 15 November 2010), the Company had not conducted any other capital fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

For the open offer, besides the reserve for the investment in the JV company pursuant to the agreement dated 28 April 2009 and the supplemental agreement dated 23 March 2010, there is a sum of approximately HK\$4.6 million out of the funds raised which has not yet been utilized.

The Company did not receive any income from replacement of energy efficient streets lamps business for the year of 2010. The Company has granted a loan of approximately HK\$2.9 million (i.e. approximately RMB2.5 million) to Bright City Corporation Limited (a company incorporated in Hong Kong which is an Independent Third Party) pursuant to the agreement dated 2 December 2010 made between, inter alia, Boom Creation Limited (a wholly owned subsidiary of the Company) and Bright City Corporation Limited. The loan was expected to be repaid to the Company by the end of 2011.

As stated in the prospectus dated 17 September 2010 (the "Prospectus"), the Company has indicated its intention to improve its business and to develop the energy-efficient street lamps business, and has stated that it is the intention of the Company to continue the development of the existing businesses of the Group. As at the date of the Prospectus, the Company did not have any agreement, arrangement, negotiation and/or plan to dispose of its existing businesses (including its businesses in sapphire watch crystals and optoelectronics products) or to carry out any new business (save and except the energy-efficient street lamp business) within 12 months after the resumption of trading of its Shares (if trading of its Shares is resumed on GEM).

Subsequently, having considered that (i) profit margin of watch business has declined; (ii) the sale of goods returned from one customer in the fourth quarter of 2010 which has indicated possibly a decline in the competitiveness of the Group's products; and (iii) the future outlook of the watch business being not as positive as it was when the Prospectus was despatched on 17 September 2010 by the Directors, it is the present intention of the Board to focus on the improvement in the operations of the watch manufacturing & selling business and at the same time trying to diversify the business risks of the Company by investments or engaging in other potential business that might have a positive impact on the business and financial condition of the Group. Further announcement will be made by the Company should any of these materialized in the future.

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## LETTER FROM THE BOARD

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Currently, the profit margin of the Company's manufacturing and selling of sapphire watch crystals has been lower than expectation and getting worse (when compared to the estimated 28% of gross profit margin for the third quarter of 2010 based on the cashflow projection made in the third quarter of 2010). In this regard, the Board has been actively trying to outsource partially the manufacturing (as the manufacturing cost has been increasing on a per-unit basis) to sourcing of end-products from the PRC and Hong Kong and try to achieve a higher gross profit margin. Quantitatively, it is expected that, in order to improve the worsening profit margin, the Company would negotiate, to the maximum extent, the best price from the suppliers, which would have an implication to the payment terms being shortened from 2 months to 0-30 days. On the other hand, the Company has been aggressively trying to enlarge the customer base of the Company on the sapphire watch crystals products, one area of which is to develop customers from Taiwan. Based on the knowledge of the Board, these customers from Taiwan would be difficult to transacted with unless the Company increases its marketing efforts and trying to grant longer credit payment terms with them, extending from two months to longer terms such as six months. Both of which would increase the working capital requirements of the Company.

From time to time, the customers in the watch operations of the Group has been exerting significant price pressure and in some cases, certain orders, if accepted by the Company, could even generate negative gross margins. It is rational for the Company not to transact with these customers but continue to seek and develop for sales order that could generate reasonable profit margins to the Group.

Therefore, it is important for the Group to maintain a reasonable level of cash and cash equivalents or other assets that are readily transferable to cash, having also taken into consideration that the Group has realized a net loss of approximately HK\$2.2 million in the third quarter of 2010 and there are certain fixed expenses, such as directors salaries, staff costs and rental expenses, which would be incurred on a monthly basis. These cash reserves would provide a certain degree of buffer in case the watch business of the Group continues to be unsatisfactory.

For these cash reserves, the Board which has extensive knowledge and experience in the past, has been actively seeking for opportunities to enhance Shareholders' value by means of financial management techniques, to properly manage its cash position and the components of liquid assets to generate the highest possible return. Therefore, in view of the current low savings rate and return of placing deposits with authorized institutions in Hong Kong, the Board would apply proper means, such as securities trading, to avoid the deterioration of purchasing power of the Company. When the sales level of the watch operations restores, the Board could realise its securities trading in capital markets to re-invest in its usual business.



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## LETTER FROM THE BOARD

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The Board believes that, as a responsible and prudent management and the board of directors of a company, the overall strategy and the direction of the company must be continually adjusted so as to maximize the Shareholders' value when there are changes in the industry, business and the operating environment, etc. In this case, it is clear to the Board that the Company is facing a difficult time in the watch business. The Board is trying its best efforts to improve the watch business, amongst others, including proposing the Warrant Subscription and the refreshment of the Existing General Mandate that would possibly increase the working capital of the Company to allow more flexibility to negotiate for better terms towards its customers and suppliers so as to improve the financial results. On the other hand, the Board is trying to diversify the business risks of the Company by investments or engaging in other potential business that might have a positive impact on the business and financial condition of the Group.

The Directors (excluding the members of the Independent Board Committee) consider that it is in the interests of the Company and the Shareholders as a whole to grant the New General Mandate in order to maintaining the financial flexibility necessary for the Company to raise funds through the issue of new securities for its general working capital and/or business development as and when the Directors consider appropriate in the future. In addition, there is no additional administrative cost for the Company to obtain the approval of the New General Mandate from the Shareholders in the same SGM which has to be held for obtaining the approvals of the adoption of the New Share Option Scheme and the Warrant Subscription. Therefore, the Board proposes to seek the approval of the Shareholders to refresh the Existing General Mandate at the SGM. As at the Latest Practicable Date, the Company does not have any imminent plan which may utilize any part of the New General Mandate, if granted. As at the Latest Practicable Date, a total of 141,665,882 Shares were in issue. Subject to the passing of the proposed resolution for the grant of the New General Mandate and on the basis that no Share will be issued or repurchased by the Company prior to the SGM, the Board will be authorised under the New General Mandate to issue a maximum of 28,333,176 new Shares.

The New General Mandate will, if granted, remain effective until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which next annual general meeting of the Company is required to be held by the law of Bermuda or the memorandum of association and bye-laws of the Company; and
- (iii) its revocation or variation by ordinary resolution of the Shareholders in general meeting.

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## LETTER FROM THE BOARD

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### THE WARRANT SUBSCRIPTION AGREEMENT

**Date:** 30 December 2010 (after trading hours), amended by a supplemental agreement dated 14 February 2011

**Issuer:** The Company

**Subscriber:** Equity Reward Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Lam Ping Cheung, Andrew, the chairman of the Company and an executive Director. Accordingly, the Subscriber is a connected person of the Company under the GEM Listing Rules.

### THE WARRANT SUBSCRIPTION

Pursuant to the Warrant Subscription, the Company has conditionally agreed to issue and allot to the Subscriber and the Subscriber has conditionally agreed to subscribe a total of 28,000,000 Warrants at the Warrant Issue Price of HK\$0.05 per Warrant.

The gross proceeds from the Warrant subscription of HK\$1.4 million will be satisfied by payment of cash by the Subscriber at completion of the Warrant Subscription.

#### Warrant Subscription Price

HK\$0.81 per Warrant Share, subject to adjustment upon the occurrence of any of the adjustment events and other dilutive events which may have adverse effects on the rights of the holder of the Warrants.

The aggregate of the Warrant Issue Price of HK\$0.05 per Warrant and the Warrant Subscription Price of HK\$0.81 per Share, i.e. HK\$0.86, represented (i) the same as the closing price of HK\$0.86 per Share quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 9.41% over the average closing prices of HK\$0.786 per Share for the last five (5) trading days for the Shares prior to and including the Last Trading Day; (iii) a premium of approximately 9.55% over the average closing prices of HK\$0.785 per Share for the last ten (10) trading days for the Shares prior to and including the Last Trading Day; and (iv) a premium of approximately 14.67% over the closing price of HK\$0.75 per Share quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Both the Warrant Issue Price and the Warrant Subscription Price are determined based on negotiations on an arm's length basis between the Company and the Subscriber with reference to the current market sentiment, liquidity flow in the capital market and the historical Share price. The Directors consider that both the Warrant Issue Price and the Warrant Subscription Price are fair and reasonable.

Subject to the terms and conditions of the Warrant Subscription Agreement, the Warrant Subscription Price may be subject to adjustment upon:

- (1) consolidation or sub-division of the Shares;
- (2) capitalization issue of the Shares by the Company (other than in lieu of a cash dividend);
- (3) capital distribution (as defined in the instrument creating the Warrants) made by the Company or grant of rights to acquisition of assets of the Group;
- (4) an offer or grant by the Company to Shareholders of new Shares for subscription by way of rights or of options or warrants to subscribe for new Shares, at a price less than 80% of the market price (calculated in accordance with the terms of the Warrants);
- (5) an issue for cash of convertible securities by the Company, if the total effective consideration is less than 80% of the market price (calculated in accordance with the terms of the Warrants), or the terms of any such issue being altered so that the said total effective consideration is less than 80% of the market price (calculated in accordance with the terms of the Warrants);
- (6) an issue for cash of Shares by the Company at less than 80% of the market price (calculated in accordance with the terms of the Warrants); and
- (7) a cancellation of any Shares or convertible securities which have been purchased by the Company (other than on the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

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## LETTER FROM THE BOARD

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Every adjustment to the Warrant Subscription Price will be certified either by the auditors of the Company or an approved merchant bank selected by the Company.

### **The Warrant Subscription Completion Date**

Completion will take place on the Warrant Subscription Completion Date, being the second Business Day after the fulfillment of the conditions referred to in the section headed “Conditions of the Warrant Subscription” below.

### **Information of the Warrants**

The Warrants will be issued to the Subscriber upon completion of the Warrant Subscription in registered form and constituted by a deed poll. The Warrants will rank *pari passu* in all respects among themselves.

Each Warrant carries the right to subscribe for one (1) Warrant Share at the Warrant Subscription Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of 36 months commencing from the date immediately after the date of issue of the Warrants. The Warrant Shares, when fully paid and allotted, will rank *pari passu* in all respects with the then existing issued Shares of the Company.

A total of 28,000,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, assuming no further Share will be issued between the Latest Practicable Date and the date of the SGM, a total of 28,000,000 Warrant Shares will be issued, representing (i) approximately 19.76% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.50% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants.

The Company will seek the grant of a specific mandate from the Independent Shareholders to cater for any Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants.

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## LETTER FROM THE BOARD

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### **Transferability**

The Warrants are transferable in integral multiples of 1,000,000 Warrants. In the event of a transfer of the Warrants to a connected person (as defined in the GEM Listing Rules) of the Company, prior approval from the Company and the Stock Exchange will be obtained. The Company undertakes to comply with the relevant GEM Listing Rules and to make necessary announcement(s), where appropriate, if and when the Subscriber makes any transfer of the Warrants to other parties requiring disclosure.

### **Conditions of the Warrant Subscription**

Completion of the Warrant Subscription Agreement is conditional on, among the other matters, the fulfillment of the following conditions on or before 5:00 p.m. on 31 March 2011 (or such later time and date as the Company and the Subscriber shall agree in writing):

- (a) the passing by the Independent Shareholders at the SGM to be convened and held, of the necessary resolutions to approve the Warrant Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Warrant Shares to the holder(s) of the Warrants);
- (b) (if required) the GEM Listing Committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object and the satisfaction of such conditions; and
- (c) the GEM Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Warrant Shares which fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants.

In the event that the above conditions are not fulfilled by 5:00 p.m. on 31 March 2011 or such later date as may be agreed between the Company and the Subscriber, the Warrant Subscription Agreement will lapse and become null and void and the parties shall be released from all obligations hereunder, save the liabilities for any antecedent breaches hereof.

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## LETTER FROM THE BOARD

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### **Voting rights for the holders of the Warrants**

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

### **Rights of the holders of the Warrants on the liquidation of the Company**

If the Company is wound up during the subscription period of the Warrants, all subscription rights attaching to the Warrants which have not been exercised shall lapse.

### **Application for listing**

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

### **REASONS FOR THE WARRANT SUBSCRIPTION**

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products.

The Board has considered other alternative fund raising methods such as debt financing, rights issue or open offers. The Board considers that the Warrant Subscription is a more appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that would be raised upon completion of the Warrant Subscription, further capital would be raised upon exercise of the subscription rights attaching to the Warrants. The Board considers that the Warrant Subscription and the issue of the Warrant Share provide opportunities for the Group to strengthen the Group's capital base and financial position to better equipped the Group with the financial flexibility for development of the existing business (including the energy-efficient street lamp business) or any other new business of the Group which in turn will strengthen the competitiveness, integrate its capital resources and contribute a maximum wealth to the Company's equity holders and the Company itself. In addition, the Warrants are not interest-bearing and would not incur additional interest burden to the Group as compared to debt financing. Save as the possible dilution to existing Shareholders of the Company, the Board considers that there is no major disadvantage of the Warrant Subscription for the Company.

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## LETTER FROM THE BOARD

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The Directors consider that the terms of the Warrant Subscription Agreement are fair and reasonable and the Directors (excluding the independent non-executive Directors) consider that the Warrant Subscription is in the interests of the Company and the Shareholders as a whole.

### USE OF PROCEEDS

Assuming no further share will be issued between the Latest Practicable Date and the date of the SGM, the gross proceeds of the Warrant Subscription will amount to approximately HK\$24.08 million. The net proceeds from the Warrant Subscription, after the deduction of the legal fees, printing expenses and other related expenses, are estimated to be approximately HK\$23 million, representing a net issue price of approximately HK\$0.8214 per Warrant. The Directors intend to apply the net proceeds as general working capital of the Group.

### EFFECT ON THE SHAREHOLDING STRUCTURE

As at the Latest Practicable Date:

- (1) the Company had an issued share capital of HK\$7,083,294.10 (representing a total of 141,665,882 Shares);
- (2) there were outstanding Options attaching subscription rights to subscribe for an aggregate of 8,499,948 new Shares granted under the applicable rules of the share option scheme of the Company; and
- (3) apart from the outstanding Options, the Company has no other outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares.

## LETTER FROM THE BOARD

The effect of the Warrant Subscription on the shareholding structure of the Company immediately upon (i) completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants; (ii) completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants and full exercise of the subscription rights attaching to the Outstanding Options; and (iii) completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants full exercise of the subscription rights attaching to the outstanding Options and Shares to be issued upon full utilisation of the New General Mandate is set out below (assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately prior to completion of the Warrant Subscription):

Shareholders	As at the Latest Practicable Date  (No. of shares)      (%)		Assuming completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants (Note 3)  (No. of shares)      (%)		Assuming (i) completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants; and (ii) full exercise of the subscription rights attaching to the outstanding Options  (No. of shares)      (%)		Assuming (i)	
							completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants; (ii) full exercise of the subscription rights attaching to the outstanding Options and (iii)	
							Shares to be issued upon full utilisation of the New General Mandate  (No. of shares)      (%)	
<b>Directors</b>								
Wong Pak Fai Philip	7,400	0.01	7,400	0.01	7,400	0.01	7,400	0.01
Liu Chun Ning, Wilfred	380,000	0.27	380,000	0.22	380,000	0.21	380,000	0.18
Tang Man Lai (Note 1)	35,032,833	24.73	35,032,833	20.65	36,449,491	20.46	36,449,491	17.65
Subscriber	–	–	28,000,000	16.50	28,000,000	15.72	28,000,000	13.56
Other Directors	–	–	–	–	5,666,632	3.18	5,666,632	2.74
iReady 360 Media Networks Limited	15,202,800	10.73	15,202,800	8.96	15,202,800	8.53	15,202,800	7.36
<b>Public</b>								
Other option holders (Note 2)	–	–	–	–	1,416,658	0.79	1,416,658	0.69
Other public Shareholders	91,042,849	64.26	91,042,849	53.66	91,042,849	51.10	91,042,849	44.09
Shares to be issued under the New General Mandate	–	–	–	–	–	–	28,333,176	13.72
Total:	141,665,882	100.00	169,665,882	100.00	178,165,830	100.00	206,499,006	100.00



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## LETTER FROM THE BOARD

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*Notes:–*

- 1: 35,032,833 Shares are held by Good Capital Resources Limited, a company beneficially owned by Tang Man Lai.
- 2: 1,416,658 Options granted to employee of the Company under the share option scheme of the Company dated 23 November 2010.
- 3: It is for illustration purpose only in the event that no Options have been exercised and the Warrants are fully exercised.

The Directors have confirmed that so far as they are aware, the Subscriber has no intention to, nor has it entered into any agreement, arrangement or understanding with any other person to, transfer, charge or pledge any of the Warrant Shares to be allotted and issued to the Subscriber upon exercise (in full or in part) of the subscription rights attaching to the Warrants.

### IMPLICATION OF THE LISTING RULES

Pursuant to Rule 17.42A of the GEM Listing Rules, the refreshment of the Existing General Mandate requires the approval of the Independent Shareholders at the SGM at which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the refreshment of the Existing General Mandate.

To the best of the Director's knowledge, information and belief after having made reasonable enquires, as at the Latest Practicable Date, the Company had no controlling shareholder, Ms. Tang Man Lai, an executive Director of the Company, together with her associates, Good Capital Resources Limited were interested in 35,032,833 Shares and Mr. Wong Pak Fai Philip, an executive Director of the Company was interested in 7,400 Shares and Mr. Liu Chun Ning, Wilfred, an independent non-executive Director of the Company was interested in 380,000 Shares. Other than Ms. Tang Man Lai, Mr. Wong Pak Fai, Philip and Mr. Liu Chun Ning, Wilfred, as at the Latest Practicable Date, no other Directors or chief executive of the Company or their respective associates held any Shares. Accordingly, Ms. Tang Man Lai and her associates, Mr. Wong Pak Fai, Philip and Mr. Liu Chun Ning, Wilfred shall abstain from casting vote on the resolution approving the New General Mandate at the SGM.

The Subscriber is wholly owned by Mr. Lam Ping Cheung, Andrew, the chairman of the Company and an executive Director. Accordingly, the Subscriber is a connected person of the Company and the Warrant Subscription constitutes a non-exempt connected transaction for the Company under the GEM Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements. The Directors have confirmed that no Shareholder is interested in the Warrant Subscription.

Due to Mr. Lam Ping Cheung, Andrew's interest in the Warrant Subscription, Mr. Lam Ping Cheung, Andrew abstained from voting on the board resolutions relation to the Warrant Subscription in the relevant board meeting.

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## LETTER FROM THE BOARD

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### General

Pursuant to Rule 20.11 of the GEM Listing Rules, the Subscriber and his associates are required to abstain from voting on the resolution at the SGM of the Company to approve the Warrant Subscription.

As at the Latest Practicable Date, to the extent that the Company is aware of and having made all reasonable enquiries:

- (a) Mr. Lam Ping Cheung, Andrew and his associates are not interested in any of the Shares; and
- (b) There is no other Shareholder who is required to abstain from voting at the SGM.

### SGM

At the SGM, ordinary resolutions will be proposed to terminate the Existing Share Option Scheme and adopt the New Share Option Scheme, refresh the Existing General Mandate to issue new Shares and approve the Warrant Subscription.

A notice convening the SGM to be held at Unit A, 23/F, CMA Building, 64-66 Connaught Road Central, Hong Kong, at 9:30 a.m. on Tuesday, 8 March 2011 is set out on pages 60 to 64 of this circular for the purposes of considering and, if thought fit, passing the resolutions as set out therein.

Proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible to the Company's Hong Kong share registrar, Tricor Abacus Ltd. at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders on whether the refreshment of the Existing General Mandate and the Warrant Subscription is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. South China Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection therewith. The text of the letter from South China Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out from pages 27 to 38 of this circular and the text of the letter from Independent Board Committee to the Independent Shareholders is set out from pages 25 to 26 of this circular.

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## LETTER FROM THE BOARD

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The Directors (excluding the independent non-executive Directors) consider that all proposed resolutions as set out in the notice of the SGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the independent non-executive Directors) recommend all Shareholders to vote in favour of all resolutions to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out from pages 25 to 26 of this circular. Your attention is also drawn to the letter of advice from South China Capital Limited which set out its recommendation in respect of the refreshment of the Existing General Mandate and the Warrant Subscription and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from South China Capital Limited is set out on pages 27 to 38 of this circular.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

### ADDITIONAL INFORMATION

Your attention is also drawn to the information set out elsewhere in this circular and in the appendices to it.

By order of the Board of  
**Seamless Green China (Holdings) Limited**  
**Chan Chung Keung Jackson**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the granting of the New General Mandate and Warrant Subscription.*



**Seamless Green China (Holdings) Limited**  
**無縫綠色中國（集團）有限公司**

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

**(Stock Code: 8150)**

21 February 2011

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 21 February 2011 (the “Circular”), in which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee and to advise (i) the Independent Shareholders in respect of the grant of the New General Mandate which will enable the Directors to exercise the power of the Company to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM; and (ii) the Warrant Subscription and to advise whether or not it would be fair and reasonable and in the interests of the Company and the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve: (i) the grant of the New General Mandate; and (ii) the Warrant Subscription.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 27 to 38 of the Circular and the letter from the Board as set out on pages 7 to 24 of the Circular. Having considered, among other things, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, the Group does not have immediate urgency to refresh the Existing General Mandate and to proceed with the Warrant Subscription. Therefore, we are of opinion that the grant of the New General Mandate and the Warrant Subscription are not in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote against the ordinary resolutions in relation to the refreshment of the Existing General Mandate and the Warrant Subscription to be proposed at the SGM.

Yours faithfully,

For and on behalf of

the Independent Board Committee

*Independent Non-executive Directors*

**Mr. Liu Chun Ning, Wilfred**

**Mr. Tsui Siu Hung**

**Mr. Tso Chip**

**Mr. Lee Tao Wai**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from South China Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the granting of the New General Mandate and the Warrant Subscription for the purpose of inclusion in this circular.*



South China Capital Limited  
28/F., Bank of China Tower  
No. 1 Garden Road, Central, Hong Kong

21 February 2011

*To: The independent board committee and the independent shareholders  
of Seamless Green China (Holdings) Limited*

Dear Sirs,

**REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES  
AND  
CONNECTED TRANSACTION: PROPOSED ISSUE OF NON-LISTED WARRANTS UNDER  
THE SPECIFIC MANDATE**

### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the proposed grant of the New General Mandate and issue of non-listed warrants, details of which are set out in the letter from the Board (the “**Board Letter**”) in the circular to the Shareholders dated 21 February 2011 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Pursuant to Rule 17.42A of the GEM Listing Rules, the grant of the New General Mandate will be subject to the Independent Shareholders’ approval by way of poll at the SGM. Any controlling shareholders and their respective associates, or where there is no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain voting in favour of the relevant resolution to approve the grant of the New General Mandate. To the best of the Director’s knowledge, information and belief after having made reasonable enquires, as at the Latest Practicable Date, the Company had no controlling shareholder. Ms. Tang Man Lai, an executive Director of the Company, together with her associates, Good Capital Resources Limited were interested in 35,032,833 shares, Mr. Wong Pak Fai, Philip, an

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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executive Director of the Company was interested in 7,400 shares and Mr. Liu Chun Ning, Wilfred, an independent non-executive Director was interested in 380,000 shares. Other than Ms. Tang Man Lai, Mr. Wong Pak Fai, Philip and Mr. Liu Chun Ning, Wilfred, as at the Latest Practicable Date, no other Directors or chief executive of the Company or their respective associates held any Shares. Accordingly, Ms. Tang Man Lai and her associates, Mr. Wong Pak Fai, Philip and Mr. Liu Chun Ning, Wilfred shall abstain from casting vote on the resolution approving the New General Mandate at the SGM.

On 30 December 2010, the Company entered into the Warrant Subscription Agreement with the Subscriber pursuant to which the Subscriber agreed to subscribe for 28,000,000 Warrants conferring rights to subscribe for 28,000,000 Warrants Shares at the Warrant Subscription Price of HK\$0.81 per Warrant (subject to adjustment upon the occurrence of any of the adjustment events and other dilutive events which may have adverse effects on the rights of the holder of the Warrants). Each Warrant carries the right to subscribe for one (1) Warrant Share. The Warrants are to be subscribed at the Warrant Issue Price of HK\$0.05 per Warrant. The gross proceeds from the Warrant Subscription of HK\$1.4 million payable by the Subscriber will be satisfied by payment of cash at completion of the Warrant Subscription. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

As the Subscriber, Equity Reward Limited is wholly owned by Mr. Lam Ping Cheung, Andrew, the chairman of the Company and an executive Director. Accordingly, the Subscriber is a connected person of the Company and the Warrant Subscription constitutes a non-exempt connected transaction for the Company under the GEM Listing Rules and is subject to reporting, announcement and the Independent Shareholders' approval requirements. Pursuant to Chapter 20 of the GEM Listing Rules, the Subscriber and its associates are required to abstain from voting on the resolution at the SGM of the Company to approve the Warrant Subscription. As at the Latest Practicable Date, to the extent that the Company is aware of and having made all reasonable enquiries, Mr. Lam Ping Cheung, Andrew and his associates are not interested in any of the shares of the Company, the Directors confirmed that no Shareholder is required to abstain from voting on the resolution approving the Warrant Subscription at the SGM.

An Independent Board Committee comprising Mr. Liu Chun Ning, Wilfred, Mr. Tsui Siu Hung, Mr. Tso Chip and Mr. Lee Tao Wai (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) the granting of the New General Mandate; and (ii) whether the Warrant Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Warrant Subscription Agreement are fair and reasonable. We, South China Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our advice and recommendations, we have relied on the accuracy of the information and facts supplied, and the opinions expressed, by the Company, its Directors and the management of the Group to us. We have assumed that all statements of belief and intention made by the Directors in the Circular were made after due enquiry. We have also assumed that all information, representations and opinions made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true at the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and the management of the Group, and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information from the Company to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent verification of the information provided by the Company, its Directors and the management of the Group nor have we carried out any independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Independent Board Committee in respect of the grant of the New General Mandate and the Warrant Subscription, we have taken into consideration the following principal factors and reasons:

#### A. Refreshment of the General Mandate

##### *Background and reasons for refreshment of the General Mandate*

The Company was incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability. The Group is principally engaged in manufacture and sale of synthetic sapphire watch crystals, optoelectronic products and watch distribution.

At the annual general meeting of the Company held on 15 April 2010, the Shareholders passed among others, ordinary resolution to grant the Directors the General Mandate to issue, allot and otherwise deal with a maximum of 16,960,000 Shares, representing 20% of the total nominal amount of the share capital of the Company in issue on the date of passing such resolution.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Board Letter, during the period from grant of the Existing General Mandate to the Latest Practicable Date, the Existing General Mandate was fully utilized as a result of the issuance of 16,960,000 new placing Shares pursuant to the placing agreement dated 15 November 2010 (the “Placing”).

As at the Latest Practicable Date, the Company had 141,665,882 Shares in issue. On the basis that no Share would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the granting of the New General Mandate would allow the Directors to issue, allot and deal with up to 28,333,176 new Shares, representing 20% of the aforesaid total issued share capital of the Company. The Company has not refreshed the Existing General Mandate since the annual general meeting of the Company held on 15 April 2010.

As advised by the Company, as at the Latest Practicable Date, the Company does not have any imminent plan which may utilize any part of the New General Mandate, if granted, and the grant of the New General Mandate will provide the Company with flexibility in raising funds through the issue of new Shares for its general working capital and ability to capture any appropriate capital raising or investment or business opportunity when feasible investment plans arise. Furthermore, the Board considers that the New General Mandate will empower the Directors to issue new Shares under the refreshed limit speedily as and when necessary, and without the need to seek further approval from the Shareholders. Therefore, the Board proposes to seek the approval of the Independent Shareholders for the grant of the New General Mandate at the SGM.

As set out in the Board Letter, the Company has made (i) an open offer (the “Open Offer”) of 1,995,294,112 shares of HK\$0.001 each in the share capital of the Company at the subscription price of HK\$0.01 per Share, which raised a net proceeds of approximately HK\$19.5 million, of which HK\$4.6 million will be used as an investment in the joint venture company pursuant to the joint venture agreement dated 28 April 2008 and the supplemental agreement dated 23 March 2010 entered into by the Company, and HK\$14.9 million to be used for general working capital of the Company (details of the Open Offer was disclosed in the Company’s announcement dated 25 August 2010 and the prospectus dated 17 September 2010), and (ii) a placing of 16,960,000 shares of HK\$0.05 each in the share capital of the Company at the subscription price of HK\$0.62 per Share under the general mandate, which raised a net proceeds of approximately HK\$10.1 million to be used for general working capital (details of the Placing was disclosed in the Company’s announcement dated 15 November 2010). Save as disclosed above, the Company confirmed that it had not conducted any other capital fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Despite the net proceeds raised from the previous fund raising activities as detailed above, the Board advised that there is no certainty that existing cash and facility resources will be adequate for any appropriate investment that may be identified by the Company in the future, additional funding may still be needed in a timely manner when necessary for financing future investments should suitable investment opportunities arise given that investment decisions and deposits or initial payments may have to be made immediately and that the management has been exploring business opportunities and the Existing General Mandate has been fully utilized.

As debt financing may incur interest burden to the Group, the Directors consider that equity financing such as issuance of new Shares for cash or equity swaps may be appropriate means to fund the potential investments and/or acquisitions and provide additional working capital for the future development and expansion of the Group, given the Group's financial position, capital structure, cost of funding and the then financial market condition. The Directors will also consider other financing methods such as debt financing or internal cash resources to fund future business development of the Company, if appropriate, after taking into consideration the then financial position, capital structure and cost of funding of the Group as well as the then market condition.

We have reviewed the Company's information in respect of its business and financial performance in the fourth quarter 2010 and its cash flow requirement up to the period ending 31 December 2011. The Company advised that based on its latest management accounts, it has recorded unsatisfactory results in the fourth quarter 2010 which was mainly attributable to the European markets, from which the Group's major revenue are generated, are yet to recover since the global financial crisis and the increasing manufacturing costs arising from the Renminbi appreciation. As such, the Company expects its loss making position will be continued in 2011 and hence further deteriorated its cash flow and financial position. In addition, as set out in the Board Letter in respect of the actual utilisation of funds from previous fundraising activities of the Company, the net proceeds from the Placing has been fully utilised whereas an amount of approximately HK\$4.6 million raised from the Open Offer was not yet utilised.

However, we note that the next annual general meeting of the Company, in which the refreshment of the General Mandate could also be sought, is impending and expected to be held in May 2011 or June 2011. We have also reviewed the cashflow forecast of the Company and based on which, it shows that the Company should have positive cashflow up to end-December 2011, which is consistent with the current estimation by the Directors that the Company has sufficient working capital for the next 12 months. In addition, the net proceeds from the latest fund raising exercises conducted by the Company have not yet fully utilized and the Company does not have any imminent plan which may utilize any part of the New General Mandate. On above basis, we are of the view that, as at the date of this letter, there is no urgency for the Company to refresh the General Mandate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **B. The Warrant Subscription**

#### *Background and reasons for the Warrant Subscription*

The Group is principally engaged in manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products.

For the financial year ended 31 December 2009, the Group recorded audited turnover of approximately HK\$15.73 million (representing a decrease of approximately 49.32% as compared to approximately HK\$31.04 million for the previous year), audited gross profit of approximately HK\$41,000 (representing a decrease of approximately 98.69% as compared to approximately HK\$3.14 million for the previous year) and audited net loss attributable to Shareholders of approximately HK\$3.08 million (representing a decrease of approximately 57.69% as compared to approximately HK\$7.28 million for the previous year). According to the annual report 2009 of the Company ("Annual Report"), the poor performance in 2009 was partly due to the adverse market of the Group's businesses and the loss on trading marketable securities attributable to the global financial crisis. As at 31 December 2009, the Group had audited net assets of approximately HK\$0.46 million and net current liabilities of approximately HK\$0.32 million. As stated in the Annual Report, in October 2009, the Group was once facing an insufficient operating cash flow problem. The Board endeavors to improve the Group's financial position and had taken measures to reduce overheads and costs. Furthermore, the Directors explored various solutions to enlarge the Group's capital base, which include the proposal to issue new shares in order to provide additional equity funding to the Group. As at 31 December 2009, the Group had cash and bank balances of approximately HK\$0.78 million and shareholders' loans of approximately HK\$10.14 million.

For the nine months ended 30 September 2010, the Group recorded unaudited turnover of approximately HK\$23.31 million (representing an increase of approximately 79.44% as compared to approximately HK\$12.99 million for the previous corresponding period), unaudited gross profit of approximately HK\$6.28 million (representing an increase of approximately 175.13% as compared to approximately HK\$2.28 million for the previous corresponding period) and unaudited loss of approximately HK\$2.41 million (represent a decrease of approximately 67.32% as compared to an unaudited loss of approximately HK\$7.37 million for the previous corresponding period). As mentioned in the third quarterly report 2010 of the Company, the significant increase in turnover was mainly attributable to the market recovery in the watch sector. As at 30 June 2010, the Group had unaudited net assets of approximately HK\$1.25 million and net current assets of approximately HK\$7.05 million, with cash and bank balances of approximately HK\$3.77 million and shareholders' loans of approximately HK\$14.74 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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It is noted that during the period from January 2010 to December 2010, the Company raised funds of approximately HK\$19.5 million from the Open offer and approximately HK\$10.1 million from the Placing, which have been used for general working capital of the Group. Taking into account of the financial position of the Group as stated above, we consider that the Group's existing business operation and development had relied to a large extent on cash inflow from financing activities, including borrowings from shareholders and equity fund raising exercises.

The Board considers that the Warrant Subscription enables the Group to raise additional funds to the Group. The gross proceeds from the Warrant Subscription are estimated to be approximately HK\$1.4 million. The Directors intends to apply the net proceeds as general working capital of the Group. Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that a net proceeds of approximately HK\$23 million will be raised, which is intended to be used for a general working capital of the Group. As set out in the Board Letter, the Board has considered other alternative fund raising methods such as debt financing, rights issue or open offers. The Board considers that the Warrant Subscription is a more appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that would be raised upon completion of the Warrant Subscription, further capital would be raised upon exercise of the subscription rights attaching to the Warrants. The Board considers that the Warrant Subscription and the issue of the Warrant Shares provide opportunities for the Group to strengthen the Group's capital base and financial position to better equipped the Group with the financial flexibility for development of the existing business or any other new business of the Group. In addition, the Warrants are not interest bearing and would not incur additional interest burden to the Group as compared to debt financing.

We note that, as stated in the announcement of the Company on 13 October 2010 (the "Resumption Announcement"), on 29 October 2009, the Board has become aware of the insufficient operating cashflow which caused the delay in publication of the 2009 third quarterly results announcement and despatch of the 2009 third quarterly report of the Company. At the request of the Company, trading in Shares on GEM has been suspended on 29 October 2009. The Directors has since put forth their efforts in restoring the cashflow position of the Group and negotiate with the lenders of the Company in order to improve the gearing ratio, the working capital position and the operations of the Group. According to a letter dated 5 August 2010, the GEM Listing Committee informed the Company of its decision to allow the resumption of trading of the Shares on GEM, subject to the prior compliance with the conditions set out below (the "Resumption Conditions"), which should be completed to the satisfaction of the Listing Division within six months from the date of abovementioned letter. These conditions are: (i) completion of the Open Offer by 4 February 2011; and (ii) compliance with the GEM

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Listing Rules and all applicable laws and regulations in Hong Kong and Bermuda, including the consolidation of every 50 shares of HK\$0.001 each into one consolidated share of HK\$0.05 each in the share capital of the Company becoming effective. The Listing Division may modify the Resumption Conditions if the Company's situation changes. Pursuant to the Resumption Announcement, all the Resumption Conditions have been fulfilled and hence the Company has submitted its application to the Stock Exchange for resumption of trading in the Shares on GEM on 14 October 2010.

The Resumption Announcement included an intention statement (the "Intention Statement") that the Company does not have any agreement, arrangement, negotiation and/or plan to dispose of its existing business (including its business in synthetic sapphire watch crystals and optoelectronics products) or to carry out new business (save and except the energy-efficient street lamp business) within 12 months after the resumption of trading of its Shares.

However, the Company announced on 23 November 2010 that it had entered into an agreement with Fairtech (HK) Limited (the "Consultant") and that Company intended to engage in the alcohol beverage trading business by developing its own sales team and network. Pursuant to the agreement, the Consultant will provide a wide range of advisory consulting services, including but not limited to solicit, refer and source suppliers and manage, supervise and monitor projects relating to the alcohol beverage trading business for the Group. Further, as advised by the Board, it is actively exploring for business opportunities in other sector.

The Board advised that the Intention Statement is not misleading despite the Board's intention on the Company's business changed within a short period of time given the Board believes that, as a responsible and prudent management and the board of directors of a company, the overall strategy and the direction of the company must be continually adjusted as to maximize the shareholders' value when there are changes in the industry, business and the operating environment, etc. In this case, it is clear to the Board that the Group is facing a difficult time in the watch business. Due to the estimated deterioration of the watch business of the Group, the Directors advised that there are several measures that the Group would take in order to improve its financial performances on the watch manufacturing and selling business, including the increase in its marketing efforts to develop new clients and trying to offer better terms to its customers and/or suppliers, all of which would increase the working capital requirements of the Group. The Board is trying its best efforts to improve the watch business, amongst which, including proposing the Warrant Subscription and the refreshment of general mandates, possibly would increase the working capital of the Group to allow more flexibility to negotiate for better terms towards its customers and suppliers so to improve the financial results. It is the present intention of the Board to focus on the improvement in the operations of the watch manufacturing & selling business and at the same time trying to diversify the business risks of the Group by investments or engaging in other potential business that might have a positive impact on the business and financial condition of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the Group at this stage has no definite plan to utilise the net proceeds of the Warrant Subscription, we, could not envisage, and quantify any immediate and apparent benefits to the Group, other than the improvement in cash position, as a result of the Warrant Subscription. However, having regard to the historical financial performance of the Group has been adversely affected by the difficult operating environment of the watch business as explained above, it is an appropriate strategy for the Group to diversify into other business areas with an objective to enhance the earnings prospects of the Group.

Based on our discussion with the Board, the Group has considered other means of fund raising including, inter alias, debit financing and placing of new shares to independent investors. However, given the unsatisfactory financial performance of the Group, the Directors confirmed that they have experienced difficulties in securing banking facilities and independent investors in the market.

Based on the commercial rationale as mentioned above, we consider that the Warrant Subscription would enable the Group to enhance its liquidity level with immediate cash inflow from the subscription of the Warrants for general working capital and further potential cash inflow upon exercising of the subscription rights attaching to the Warrants for any potential acquisition in the future should suitable opportunities arise and general working capital, without incurring any interest burden to the Group, and it is sensible for the Company to enter into the Warrant Subscription Agreement.

### *Terms of the Warrant Subscription*

Pursuant to the Warrant Subscription Agreement, the Subscriber agreed to subscribe for 28,000,000 Warrants conferring rights to subscribe for 28,000,000 Warrant Shares at the Warrant Subscription Price of HK\$0.81 per Warrant Share (subject to adjustment upon the occurrence of any of the adjustment events and other dilutive events which may have adverse effects on the rights of the holder of the Warrants). Each Warrant carries the right to subscribe for one (1) Warrant Share. The Warrants are to be subscribed at a Warrant Issue Price of HK\$0.05 per Warrant. The subscription rights attaching to the Warrants may be exercised at any time during a period of 36 months commencing from the date immediately after the date of issue of the Warrants. The Warrant Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares of the Company.

The aggregate of the Warrant Issue Price of HK\$0.05 per Warrant and the Warrant Subscription Price of HK\$0.81 per Share, i.e. HK\$0.86, (the "Aggregate Price") represented (i) the same as the closing price of HK\$0.86 per Share quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 9.41% over the average closing prices of HK\$0.786 per Share for the last five trading days for the Shares prior to and including the Last Trading Day; (iii) a premium of approximately 9.55% over the average closing prices of HK\$0.785 per Share for the last ten trading days for the Shares prior to and including the Last Trading Day; and (iv) a premium of approximately 14.67% over the closing price of HK\$0.75 per Share quoted on the Stock Exchange on the Latest Practicable Date.



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We have reviewed the movements in the historical closing prices of the Shares. Due to the trading of the Shares was suspended since 29 October 2009 and up to 13 October 2010, we consider the historical share price performance before 29 October 2009 is outdated and irrelevant. For reference purpose, during the period from 14 October 2010 to 30 December 2010 (being the period following the trading resumption of the Shares and prior to the Last Trading Day) (the “Review Period”), the highest closing price and lowest closing price of the Shares were HK\$0.98 on 25 November 2010 and HK\$0.69 on 3 November 2010 respectively. The Aggregate Price of HK\$0.86 represents a discount of approximately 12.24% to such highest closing price of the Shares and represents a premium of approximately 24.64% over such lowest closing price of the Shares. As confirmed by the Directors, the Aggregate Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the current market sentiment, liquidity flow in the capital market and the historical Share price.

During the Review Period, the average daily trading volume of the Shares in each of October 2010, November 2010 and December 2010 was fairly thin and ranged from 1.18% to 3.73% of the total number of Shares in issue as at the Latest Practicable Date respectively.

In addition, based on the fact that the Aggregate Price represents premium or the same to the prevailing closing prices of the Shares at the time around the date of the Warrant Subscription Agreement and the trading volume of the Shares was fairly thin during the Review Period, we are of the view that the Aggregate Price is fair and reasonable.

### **C. Potential dilution to the shareholdings of the existing public Shareholders**

As illustrated in the shareholding table set out in the section headed “Effect on the shareholding structure” in the Board Letter, the aggregate shareholding of the existing public Shareholders will decrease from approximately 64.26% as at the Latest Practicable Date to (i) approximately 53.66% upon full exercise of the subscription rights attaching to the Warrants; and (ii) approximately 51.10%, upon full exercise of the subscription rights attaching to the Warrants and the outstanding Options.

### **D. Risk Factors**

**Independent Shareholders should consider fully and carefully of all information contained in this letter and, in particular, should fully aware and evaluate the following risk factors to and in connection with the grant of the New General Mandate and the Warrant Subscription:**

#### ***1. The Group has changed its intention of not introducing new business within a short period of time***

The Company has announced the Group’s engagement in beverage trading business in November 2010 imminently after the Resumption Announcement in which the Company has mentioned its intention of not introducing new business (save and except the energy-efficient street lamp business) within 12 months after resumption of trading of its Shares. The Company also advised that it is actively exploring for business opportunities in other sector.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **2.     *The Company has conducted frequent fund raising activities***

Since August 2010, the Company has conducted fund raisings, including Open Offer and the Placing, and the net proceeds raised from the above are not yet fully utilized. At present, the Company proposed to seek for the grant of the New General Mandate at the SGM to be held imminently before the next annual general meeting, in which the refreshment of the General Mandate could also be sought, to be held in May 2011 or June 2011. As at the Latest Practicable Date, the Board has no concrete plan regarding the possible investments or engagement of the potential business and there is no confirmed target or investments being identified.

### **3.     *The Group has a history of securities trading***

We note that the Group has utilised a significant amount of cash for securities trading in December 2010. Independent Shareholders should take into account of the rationale stated by the Directors in the Board Letter in relation to securities trading activities of the Group. It is mindful that the securities trading may generate gain or loss from time to time and may adversely affect the Group's financial position significantly.

## **RECOMMENDATION**

Having considered the above principal factors and reasons stated in this letter, including:

1.     the business operations and financial situation of the Group;
2.     the business plan of the Group in relation to the watch manufacturing and trading businesses;
3.     the diversification of business of the Group and the related rationale put forward by the Directors in the Board Letter;
4.     the rationale of the Directors in relation to engagement of securities trading activities by the Group as stated in the Board Letter;
5.     the Directors' putting forward of resolution of refreshment of General Mandate in the next annual general meeting of the Company, which is expected to be held in May 2011 or June 2011;
6.     terms of the Warrant Subscription, including the fact that the Aggregate Price is fair and reasonable;



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7. commercial rationale of entering into the Warrant Subscription before taking into account of the abovementioned risk factors;
8. potential dilution to the shareholdings of the existing public Shareholders upon full exercise of the subscription rights attaching to the Warrants and the outstanding Options; and
9. the abovementioned risk factors,

in balance, we consider that the Group does not have immediate urgency for the Group to refresh the General Mandate and the Warrant Subscription. Therefore, we are of opinion that the grant of the New General Mandate and the Warrant Subscription are not in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote against the resolutions in relation to the grant of the New General Mandate and the Warrant Subscription to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**South China Capital Limited**  
**Edmond Choy**  
*Director*

*This appendix summaries the principal terms of the New Share Option Scheme but does not form part of, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as effecting the interpretation of the rules of the New Share Option Scheme.*

## **1. PURPOSE**

The purpose of the New Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approved from time to time. In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

## **2. DURATION**

Subject to the fulfilment of the conditions in paragraph 3 and the termination provisions in paragraph 16, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the New Share Option Scheme is conditionally adopted by the Shareholders (the “**Adoption Date**”), after which period no further Options will be issued but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect, and Options which are granted during the life of the New Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

## **3. CONDITIONS**

The New Share Option Scheme shall take effect subject to the following conditions:

- (i) the passing of an ordinary resolution approving the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme by the shareholders of the Company and authorising the Directors to grant Options to subscribe for Shares under the New Share Option Scheme and to allot and issue Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; and
- (ii) the GEM Listing Committee granting the approval of the listing of, and permission to deal, in any Shares to be issued pursuant to the exercise of Options under the New Share Option Scheme.

## **4. ADMINISTRATION**

The New Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the New Share Option Scheme) shall be final and binding on all parties.

**5. GRANT OF OPTION**

- (a) On and subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time, within 10 years after the Adoption Date to make an offer to any Participant as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may (subject to paragraphs 9 and 10) determine at the subscription price. In determining the basis of eligibility of each Participant, the Board would mainly take into account the experience of the Participant in the Group's business, the length of service of the Participant has exerted and made towards the success of the Group and/or the amount of potential efforts and contributions the Participant is likely to be able to give or make towards the success of the Group in the future.
- (b) No Offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board (as such date is first notified by the Company to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted.
- (c) An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine (the **"Offer Letter"**) specifying the number of Shares under the Option and the option period and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of this Scheme. An Offer must be made on a Business Day on which the Stock Exchange is open for business of dealing in securities (**"Trading Day"**) and shall remain open for acceptance by the Participant to whom an Offer is made for a period (the **"Acceptance Period"**) from the offer date to such date as the Board may determine and specify in the Offer Letter (both days inclusive), provided that no such Offer shall be open for acceptance after the 10th anniversary from the Adoption Date or after this Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

- (d) An Offer shall be deemed to have been accepted by the grantee and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the offer duly signed by the grantee together with a remittance in favour of the Company of \$1.00 (One Hong Kong dollar) by way of consideration for the granting thereof is received by the Company within the Acceptance Period (as defined in sub-paragraph 5(c)). Such remittance shall in no circumstances be refundable or be considered as part of the subscription price.
- (e) Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and the number of Shares in respect of which the offer is accepted is clearly stated in the duplicate of the Offer Letter received by the Company as mentioned in sub-paragraph 5(d). To the extent that the offer is not accepted within the Acceptance Period (as defined in sub-paragraph 5(c)) and in the manner stipulated in sub-paragraph 5(d), it will be deemed to have been irrevocably declined.
- (f) Subject to the provisions of the New Share Option Scheme and the GEM Listing Rules, the Board may when making the offer impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

## **6. SUBSCRIPTION PRICE**

Subject to any adjustments made pursuant to paragraph 11, the subscription price in respect of each Share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date;
- (b) a price being the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the offer date; and
- (c) the nominal value of the Share.

**7. EXERCISE OF OPTIONS**

- (a) An Option shall be personal to the grantee and shall not be assignable or transferable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (whether legal or beneficial) in favour of any third party over or in relation to any Option or enter into any agreement to do so. Any breach of the foregoing of a grantee shall render all outstanding Option of such grantee be automatically cancelled in accordance with sub-paragraph 8(a)(vii).
- (b) Unless otherwise determined by the Board and specified in the Offer Letter at the time of the offer, there is neither any performance targets that need to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter, this sub-paragraph and sub-paragraph 7(c) by the grantee (or his personal representative(s)) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total subscription price for the Shares in respect of which the notice is given. Subject to paragraph 12, within ten (10) Trading Days after receipt of the notice and the remittance, and where appropriate, receipt of the certificate of the auditors for the time being of the Company (the “**Auditors**”) pursuant to paragraph 11, the Company shall allot the relevant Shares to the grantee (or his personal representative(s)) credited as fully paid and issue to the grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.
- (c) Subject to paragraph 3 and as hereinafter provided and subject to the terms and conditions upon which such Option was granted, an Option may be exercised by the grantee at any time during the option period provided that:
  - (i) in the event of the grantee ceases to be a Participant for any reason other than on the grantee’s death or the termination of the grantee’s employment, directorship, appointment or engagement on one or more of the grounds specified in sub-paragraph 8(a)(v), the Option granted to such grantee shall lapse on the date of cessation (to the extent that it has not already been exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the discretion of the Board in which event the grantee may exercise the Option in accordance with the provisions of paragraph 7(b) within such period of extension and up to a maximum entitlement directed at the discretion of the Board on the date of grant of extension (to the extent that it has not already been exercised) and subject to other terms and conditions decided at the discretion of the Board. For

the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date on which the grantee ceases to be a Participant, which date of cessation shall be the grantee's last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of, as consultant, professional or other adviser to, the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive;

- (ii) in the event of the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment, directorship, appointment or engagement under sub-paragraph 8(a)(v) arises, the personal representative(s) of the grantee shall be entitled within a period of 6 months or such longer period as the Board may determine from the date of death, to exercise the Option up to the entitlement of such grantee as at the date of death (to the extent that it has become exercisable and has not already been exercised) or, if appropriate, make an election pursuant to sub-paragraph 7(c)(iii), (iv) or (v);
- (iii) if a general offer by way of take-over (other than by way of scheme of arrangement pursuant to sub-paragraph 7(c)(iv)) is made to all holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), the Company shall use its best endeavours to procure that an appropriate offer is extended to all the grantees (on comparable terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, as shareholders of the Company). If such offer becomes or is declared unconditional, the grantee (or his personal representative(s)) may by notice in writing to the Company within thirty (30) days after the date of which such offer becomes or is declared unconditional exercise the Option (to the extent that it has become exercisable on the date of the notice of the offeror and has not already been exercised) to its full extent or to the extent specified in such notice;
- (iv) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary majority of holders of Shares at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice;

- (v) other than a general offer or a scheme of arrangement contemplated in subparagraphs 7(c)(iii) and (iv), if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his Options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the New Share Option Scheme. The Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and
- (vi) in the event of a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the general meeting, give notice thereof to all grantees and thereupon, the grantees (or their respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company (such notice to be received by the Company not later than 2 Trading Days prior to the proposed general meeting of the Company) exercise the Option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Trading Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

- (d) The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and bye-laws of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

## **8. LAPSE OF OPTION**

- (a) An Option shall lapse automatically and not be exercisable (to the extent that it has not already been exercised) on the earliest of:
  - (i) the expiry of the option period;
  - (ii) the expiry of the periods referred to in sub-paragraph 7(c)(i), (ii) or (iii), where applicable;
  - (iii) subject to the scheme of arrangement as referred to in sub-paragraph 7(c)(iv) becoming effective, the expiry of the period referred to in sub-paragraph 7(c)(iv);
  - (iv) subject to the compromise or arrangement referred to in sub-paragraph 7(c)(v) becoming effective, the expiry of the period referred to in sub-paragraph 7(c)(v);
  - (v) subject to the expiry of the period of extension (if any) referred to in sub-paragraph 7(c)(i), the date on which the grantee ceases to be a Participant by reason of the termination of his employment, directorship, appointment or engagement on one or more of the following grounds, namely, that he has been guilty of misconduct, or has been in breach of material term of the relevant employment contract or service contract, or has stopped payment to creditors generally or been unable to pay his debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, or (if so determined by the Board or the board of the relevant subsidiary, as the case may be) on any other ground on which any employer or any engaging party would be entitled to terminate his employment, directorship, appointment or engagement at common law or pursuant to any applicable laws or under the



grantee's employment contract or service contract with the Company or the relevant subsidiary (as the case may be). A resolution of the Board or the board of directors or governing body of the relevant subsidiary (as the case may be) to the effect that the employment, directorship, appointment or engagement of a grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 8(a)(v) shall be conclusive and binding on the grantee;

- (vi) the close of two Trading Days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of the commencement of the winding-up of the Company;
  - (vii) the date on which the grantee commits a breach of sub-paragraph 7(a);
  - (viii) the date on which the Option is cancelled as provided in paragraph 15; or
  - (ix) the non-fulfilment of any condition referred to in paragraph 3 on or before the date stated therein.
- (b) The Company shall owe no liability to any grantee for the lapse of any Option under this paragraph 8.

## **9. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION**

- (a) Subject to sub-paragraph 9(b):
- (i) The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date, unless the Company obtains an approval from its shareholders pursuant to sub-paragraph 9(a)(ii). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating such 10% limit.
  - (ii) The Company may seek approval of its Shareholders in general meeting for refreshing the 10% limit set out in sub-paragraph 9(a)(i) under the New Share Option Scheme such that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the New Share Option Scheme and any other share option schemes (including those outstanding, cancelled,

lapsed in accordance with the New Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, the Company shall send a circular to its Shareholders containing the information and disclaimer as required under the GEM Listing Rules.

- (iii) The Company may seek separate approval by its Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its Shareholders containing, amongst other terms, a generic description of the specified Participant(s) who may be granted such Options, the number of Shares subject to the Options to be granted, the terms of the Options to be granted, the purpose of granting Options to the specified Participant(s), an explanation as to how the terms of the Options serve such purpose and such other information and disclaimer as required under the GEM Listing Rules.
- (b) Notwithstanding any provision in paragraph 9(a) and subject to paragraph 11, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the New Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

#### **10. MAXIMUM ENTITLEMENT OF SHARES OF EACH PARTICIPANT**

- (a) (i) Subject to sub-paragraphs 10(a)(ii), the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding sub-paragraph 10(a)(i), where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the New Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his associates abstaining from voting. The number and terms (including the Subscription Price) of the Options to be

granted to such Participant shall be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, the Company shall send a circular to its Shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant) and such other information as required under the GEM Listing Rules.

- (iii) In addition to paragraph 9 and sub-paragraphs 10(a)(i) and 10(a)(ii), any grant of Options to a Participant who is a Director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the grantee).
- (iv) In addition to paragraph 9 and sub-paragraphs 10(a)(i) and 10(a)(ii), where the Board proposes to grant any Option to a Participant who is a Substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under this Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including proposed Offer Date of such grant (the "Relevant Date"):
  - (a) representing in aggregate more than 0.1% of the total number of Shares in issue on the Relevant Date; and
  - (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its Shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned and all other connected persons of the Company must abstain from voting in favour of the resolution at such general meeting. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

The Participant and all other connected persons of the Company may vote against the resolution at the general meeting provided that such intention to do so has been stated in the circular. Any such party may change his mind as to whether to abstain or vote against the resolution, in which case the Company shall, if it becomes aware of the change before the date of the general meeting, immediately despatch a circular to the Shareholders of the Company or publish an announcement notifying the Shareholders of the change and, if known, the reason for such change. Where the circular is despatched or the announcement is published less than 14 days before the date originally scheduled for the general meeting, the meeting shall be adjourned before considering the relevant meeting, the meeting shall be adjourned before considering the relevant resolution to a date that is at least 14 days from the date of despatch of the circular or publication of the announcement by the chairman.

- (b) Subject to sub-paragraphs 9(a), 9(b) and 10(a), in the event of any alteration in the capital structure of the Company whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction), the maximum number of Shares referred to in sub-paragraphs 9(a), 9(b) and 10(a) will be adjusted in such manner as an independent financial adviser or the Auditors (acting as experts and not as arbitrators) shall confirm to the directors of the Company in writing to be fair and reasonable.

## **11. REORGANIZATION OF CAPITAL STRUCTURE**

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of the Company or otherwise howsoever in accordance with the applicable legal requirements and requirements of the Stock Exchange (excluding any alteration in the capital structure of the Company as a result of an issue of securities of the Company as consideration in respect of a transaction to which the Company is a party) at any time after the date on which dealings in the Shares first commence on the Stock Exchange, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the subscription price;

as an independent financial adviser appointed by the Company or the Auditors shall at the request of the Board certify in writing to the directors of the Company, either generally or as regards any particular grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 23.03(13) of the GEM Listing Rules and shall give a grantee as nearly as possible the same proportion of the issued share capital of the Company as that to which the grantee was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value and/or to the advantage in respect of the grantee without specific prior shareholders' approval. The capacity of the independent financial adviser or the Auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees. The costs of the independent financial adviser or the Auditors shall be borne by the Company. Notice of such alteration(s) shall be given to the grantees by the Company.

## **12. SHARE CAPITAL**

The exercise of any Option shall be subject to the Shareholders in a general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

## **13. DISPUTES**

Any dispute arising in connection with the New Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the subscription price or otherwise) shall be referred to the decision of the Auditors or an independent financial adviser appointed by the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding.

## **14. ALTERATION OF THE NEW SHARE OPTION SCHEME**

- (a) The provisions of the New Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of this Scheme as to:
  - (i) the definitions of “grantee”, “option period” and “Participant”;
  - (ii) the provisions of paragraphs and sub-paragraphs 4(a), 5(a), 5(b), 5(c), 6, 7, 8, 9, 10, 11 and this paragraph 14; and
  - (iii) all such other matters set out in Rule 23.03 of the GEM Listing Rules

shall not be altered to the advantage of the Participants except with the prior approval of the shareholders of the Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected grantees as would be required of the shareholders of the Company under the bye-laws for the time being of the Company for a variation of the rights attached to the Shares.

- (b) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (c) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- (d) Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

## **15. CANCELLATION OF OPTIONS**

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any Option granted but not exercised. If no such consent is obtained from the relevant grantee, any Option granted but not exercised may only be cancelled if approved by the Shareholders in a general meeting, with the relevant grantee and his associates abstaining from voting. Where the Company cancels Options and makes an offer of the grant of new Options to the same Option holder, the offer of the grant of such new Options may only be made, under the New Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph 9.

## **16. TERMINATION**

The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect. All Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme. Upon such termination, details of the Options granted, including Options exercised or outstanding, under the New Share Option Scheme are required under the GEM Listing Rules to be disclosed in the circular to Shareholders seeking approval of the first new scheme established thereafter.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

<b>Authorised</b>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares of HK\$0.05 each	<u>1,000,000,000</u>
<b>Issued and fully paid share capital credited as fully paid</b>		<i>HK\$</i>
141,665,882	Shares of HK\$0.05 each	7,083,294.10
28,000,000	Shares of HK\$0.05 each at the Latest Practicable Date to be issued for the Warrants (if exercised)	1,400,000.00
<u>169,665,882</u>		<u>8,483,294.10</u>

As at the Latest Practicable Date, the Company has outstanding Options entitling holders to subscribe for an aggregate 8,499,948 Shares. Save as aforesaid, the Company has no outstanding convertible securities, options or warrants in issue which entitle the holders thereof to subscribe for convert into any shares.

### 3. DISCLOSURE OF INTERESTS

#### A. Directors' interest in the Company

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.47 of the GEM Listing Rules Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules:

##### (a) Ordinary Shares of HK\$0.05 each of this Company

Name of shareholders	Capacity	Number of Shares	Underlying Shares	Long/Short position	Percentage of issued shares (Note 5)
Good Capital Resources Limited (Notes 1 & 6)	Beneficial Owner	35,032,833	0	Long	24.73%
Good Capital Resources Limited (Notes 1 & 6)	Beneficial Owner	16,800,000	0	Short	11.86%
Sun Finance Company Limited (Note 2)	Beneficial Owner	16,800,000	0	Long	11.86%
JMM Business Network Investments (China) Limited (Note 6)	Beneficial Owner	8,800,000	0	Long	6.21%
iReady360 Media Networks Limited (Notes 3 & 6)	Beneficial Owner	15,202,800	0	Long	10.73%
Evening Triumph Holdings Limited (Notes 4 & 6)	Beneficial Owner	8,800,000	0	Long	6.21%
Chong Wai Moon Joe	Beneficial Owner	10,518,823	0	Long	7.43%



*(b) Share Options*

Name of Directors	Capacity	Number of options held	Exercise Period	Exercise Price HK\$
Chan Chung Keung	Beneficial Owner	1,416,658	23/11/2010– 21/07/2011	0.772
Wong Kwok Wai	Beneficial Owner	1,416,658	23/11/2010– 21/07/2011	0.772
Chung Ming Tru Daniel	Beneficial Owner	1,416,658	23/11/2010– 21/07/2011	0.772
Tang Man Lai	Beneficial Owner	1,416,658	23/11/2010– 21/07/2011	0.772
Chan Yim Kum	Beneficial Owner	1,416,658	23/11/2010– 21/07/2011	0.772

*Notes:*

1. Good Capital Resources Limited, a company incorporated in the British Virgin Islands which is beneficially owned by Tang Man Lai.
2. Sun Finance Company Limited is owned as to 50% by Cheng Ting Kong and 50% by Chau Cheok Wa.
3. Mr. Ng Wai Lok, Raylot is the controlling shareholder of iReady360 Media Networks Limited.
4. Miss Kwok Sze Nga is the controlling shareholder of Evening Triumph Holdings Limited
5. The percentage is calculated based on 141,665,882 shares.
6. Pursuant to the order granted by the High Court of Hong Kong on 8th December 2009, JMM Business Network Investments (China) Limited, iReady360 Media Networks Limited, Evening Triumph Holdings Limited, Mr. Ng Wai Lok, Raylot (as the controlling shareholder of iReady360 Media Networks Limited) and Miss Kwok Sze Nga (as the controlling shareholder of Evening Triumph Holdings Limited) are restrained and prohibited, until further order of the court, from exercising any voting right in and from disposing of, selling, transferring, mortgaging, assigning, charging or otherwise dealing with any of the ordinary shares of the Company registered in the name of JMM Business Network Investments (China) Limited, iReady360 Media Networks Limited and Evening Triumph Holdings Limited except in accordance with the instructions or consent of Good Capital Resources Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**B. Directors' interests in assets of the Company**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

**C. Directors' service agreements and interests in contract or arrangement**

As at the Latest Practicable Date, none of the Directors had any existing or proposed serviced contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year within payment of compensation (other than statutory compensation)).

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

#### 4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at the Latest Practicable Date, other than the interests disclosed above in respect of certain directors, the following Shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued capital of the Company
Good Capital Resources Limited (Note 1)	Beneficial owner	35,032,833	24.73%
iReady 360 Media Networks Limited (Note 2)	Beneficial owner	15,202,800	10.73%

*Note:*

1. Good Capital Resources Limited is wholly owned by Ms. Tang Man Lai
2. iReady 360 Media Networks Limited is wholly owned by Ng Wai Lok, Raylot

Save as disclosed above, the Directors and chief executive of the company are not aware of any person (other than a Director or chief executive of the Company) who as at the Latest Practicable Date had interests and/or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### 5. LITIGATIONS

As announced by the Company on 8 December 2010, the Company received a statutory demand notice (“**Demand Notice**”) on 25 November 2010 from a solicitors firm which represented itself as acting for iReady 360 Media Networks Limited (“**iReady**”) in accordance with the instructions given by an iReady’s director, Mr. Wong Yee Wah Edward.

According to the Demand Notice, iReady demanded the Company for immediate repayment of a sum of HK\$3,350,000, being the loans lent by iReady to the Company pursuant to a loan agreement dated 26 June 2009 (as amended by a supplemental loan agreement dated 24 August 2009).

However, the Company has noticed that pursuant to the order granted by the High Court of Hong Kong on 8th December 2009, iReady and Mr. Ng Wai Lok, Raylot (who, according to the Company's records kept pursuant to Part XV of the Securities and Futures Ordinance, is the sole shareholder of iReady), among other persons, are restrained and prohibited, until further order of the court, from exercising any voting right in and from disposing of, selling, transferring, mortgaging, assigning, charging or otherwise dealing with any of the ordinary shares of the Company registered in the name of iReady except in accordance with the instructions or consent of Good Capital Resources Limited.

Given the above background, the Board has reason to doubt the validity of the instructions purportedly given by iReady to the solicitors firm which issued the Demand Notice and the Company will take further advice from its legal advisor before making the decision as to whether to comply with the request made pursuant to the Demand Notice.

## **6. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

## **7. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

## **8. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**9. EXPERT AND CONSENT**

- (a) The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
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South China Capital Limited	a licensed corporation for carrying out type 6 regulated activity (advising on corporate finance) under the SFO
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- (b) As at the Latest Practicable Date, South China Capital Limited does not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, South China Capital Limited does not have any interest either directly or indirectly, in any assets which had been, since 31 December 2009 (being the date to which the latest published accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.
- (c) South China Capital Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and/or references to its name in the form and context in which it appears.

**10. MISCELLANEOUS**

- A. The company secretary of the Company is Ms. Chan Yim Kum, who is a member of The Institute of Chartered Secretaries and Administrator of the United Kingdom and The Hong Kong Institute of Company Secretaries.
- B. The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited whose address is Rosebank Centre, 11, Bermuda.
- C. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- D. The head office and principal place of business of the Company in Hong Kong is at Suite 1906-7, 19th floor, Cosco Tower, 183 Queen's Road Central, Hong Kong.

- E. The registered office of South China Capital Limited is located at 28/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong.
- F. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

## **11. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from Monday to Friday (other than public holidays) at Suite 1906-7, 19th floor, Cosco Tower, 183 Queen's Road Central, Hong Kong from the date of this circular up to and including 8 March 2011:

- (a) the memorandum of association and bye-laws of the Company;
- (b) a copy of the rules of the New Share Option Scheme;
- (c) the Warrant Subscription Agreement;
- (d) the written consents referred to under the section headed "Experts and consent" in this appendix;
- (e) a copy of the "Letter from the Independent Board Committee", the text of which is set out from page 25 to page 26 of this circular;
- (f) a copy of the "Letter from the Independent Financial Adviser", the text of which is set out from page 27 to page 38 of this circular; and
- (g) this circular.

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## NOTICE OF THE SPECIAL GENERAL MEETING

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**SGC**  
Seamless Green China

### **Seamless Green China (Holdings) Limited** **無縫綠色中國（集團）有限公司**

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

**(Stock Code: 8150)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (“SGM”) of Seamless Green China (Holdings) Limited (the “Company”) will be held at Unit A, 23/F, CMA Building, 64-66 Connaught Road Central, Hong Kong at 9:30 a.m. on Tuesday, 8 March 2011 to consider and, if thought fit, to pass with or without amendments, the following resolutions as ordinary resolutions:

### **ORDINARY RESOLUTIONS**

1. **“THAT** subject to and conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the approval of the listing of, and permission to deal in, the shares of the Company to be issued and allotted pursuant to the exercise of options to be granted under the new share option scheme of the Company (the “New Share Option Scheme”), the rules of which are contained in the document marked “AA” produced to the meeting and for the purposes of identification signed by the Chairman thereof, the New Share Option Scheme be and is hereby approved and adopted and with effect from the date of the New Share Option Scheme becoming unconditional and coming into effect, the existing share option scheme of the Company which was adopted by the Company on 21 July 2001 be terminated therefrom and the directors of the Company be and are hereby authorised to do all acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, including without limitation:
  - (i) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for the shares of the Company, including but not limited to determining and granting the options in accordance with the terms of the New Share Option Scheme;

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- (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to the modification and/or amendment and subject to Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”);
  - (iii) to allot and issue from time to time such number of shares of the Company as may be required to be allotted and issued pursuant to the exercise of the options granted under the New Share Option Scheme and subject to the GEM Listing Rules, provided that the total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the shares of the Company in issue as at the date of passing this resolution, but the Company may seek approval by its shareholders in general meeting for refreshing the 10% limit under the New Share Option Scheme;
  - (iv) to make application at appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for the listing of and permission to deal in, any shares of the Company which may hereafter from time to time be allotted and issued pursuant to the exercise of options granted under the New Share Option Scheme; and
  - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.”
2. **“THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the Directors at the annual general meeting of the Company held on 15 April 2010 be and is hereby revoked and replaced by the mandate **THAT**:
- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (d)) of all the powers of the Company to allot or issue securities of the Company including shares of HK\$0.05 each in the capital of the Company and to make or grant offers, agreements or options including warrants to subscribe for shares, which might require securities to be issued, allotted or disposed of be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers after the end of the Relevant Period;



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- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as defined in paragraph (d)) or any issue of shares of the Company on the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time or on the exercise of any options granted under the share option scheme of the Company or an issue of shares in lieu of the whole or part of a dividend on shares in accordance with the bye-laws of the Company (the “Bye-laws”), shall not exceed the aggregate of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Bermuda or the bye-laws to be held; and
- (iii) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

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3. “THAT

- (a) the conditional warrant subscription agreement dated 30 December 2010 (as amended by a supplemental agreement dated 14 February 2011) (collectively, the “**Warrant Subscription Agreement**”) and entered into between the Company as issuer and Equity Reward Limited as subscriber (the “**Subscriber**”) in relation to the subscription of the 28,000,000 non-listed warrants (the “**Warrants**”) by the Subscriber at the warrant issue price of HK\$0.05 per unit of Warrant, which entitles the holder(s) thereof to subscribe for an aggregate 28,000,000 shares (the “**Shares**”) of HK\$0.05 each in the share capital of the Company at the warrant subscription price of HK\$0.81 (subject to adjustment) per Share during a period of thirty-six months commencing from the date immediately after the date of issue of the Warrants (a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the Warrants in accordance with the terms and conditions of the Warrant Subscription Agreement and the transactions contemplated thereunder be and is hereby approved;
- (c) conditional upon, among others, the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Shares (the “**Warrant Shares**”) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants, the allotment and issue of the Warrant Shares to the relevant holder(s) of the Warrant(s) be and is hereby approved; and
- (d) the directors of the Company be or a duly authorised committee of the board of directors of the Company be and is/are hereby authorised:
  - (i) to issue the Warrants pursuant to the terms and conditions of the Warrant Subscription Agreement;
  - (ii) to allot and issue the Warrant Shares to the relevant holder(s) of the Warrant(s); and

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- (iii) to do all such things and acts as they may in their discretion consider as necessary, expedient or desirable for the purpose of or in connection with the performance of the Warrant Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as they consider necessary or expedient in their opinion to implement and/or give effect to the issue of the Warrants, and the allotment and issue of Warrant Share(s) of which may fall to be issued upon exercise of the subscription rights attaching to the Warrants.”

By Order of the Board of  
**Seamless Green China (Holdings) Limited**  
**Chan Chung Keung Jackson**  
*Executive Director*

Hong Kong, 21 February 2011

*Notes:*

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Abacus Ltd, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.
3. Shareholders or their proxies shall produce their identity documents when attending the SGM.