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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **HIGHLIGHTS**

- The Group recorded total revenue for the year ended 31 December 2020 of approximately HK\$142.0 million, representing approximately 3.1% decrease over 2019.
- The Group recorded a loss attributable to owners of the Company for the year ended 31 December 2020 of approximately HK\$11.2 million, representing an increase of loss of approximately 6.1% as compared to 2019.
- The Board does not recommend the payment of any dividends for the year ended 31 December 2020.

## AUDITED ANNUAL RESULTS

The directors (the "Directors") of Seamless Green China (Holdings) Limited (the "Company") are pleased to announce the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 (the "Year") together with the comparative audited figures for the year ended 31 December 2019, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	<b>142,047</b>	146,602
Cost of sales	5	<b>(129,715)</b>	(135,466)
<b>Gross profit</b>		<b>12,332</b>	11,136
Other income and other losses, net	4	<b>(2,497)</b>	(913)
Selling and distribution expenses	5	<b>(1,687)</b>	(1,017)
Administrative and other operating expenses	5	<b>(13,237)</b>	(14,462)
(Provision for)/reversal of impairment of trade receivables		<b>(2,899)</b>	506
Reversal of/(provision for) impairment of other financial assets carried at amortised cost		<b>20</b>	(338)
<b>Operating loss</b>		<b>(7,968)</b>	(5,088)
Finance costs		<b>(3,172)</b>	(4,545)
<b>Loss before income tax</b>		<b>(11,140)</b>	(9,633)
Income tax credit/(expense)	6	<b>180</b>	(657)
<b>Loss for the year</b>		<b>(10,960)</b>	(10,290)
<b>(Loss)/profit for the year attributable to:</b>			
– Owners of the Company		<b>(11,202)</b>	(10,557)
– Non-controlling interests		<b>242</b>	267
		<b>(10,960)</b>	(10,290)
<b>Loss per share for the loss attributable to owners of the Company for the year</b>			
– Basic (HK cents)	7	<b>(0.71)</b>	(0.67)
– Diluted (HK cents)	7	<b>(0.71)</b>	(0.67)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK\$'000	HK\$'000
<b>Loss for the year</b>	<b>(10,960)</b>	(10,290)
<b>Other comprehensive income/(loss), net of tax</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	4,524	(1,260)
<i>Items that will not be reclassified to profit or loss:</i>		
Change in the fair value of financial assets at fair value through other comprehensive income	(328)	(4)
	4,196	(1,264)
<b>Total comprehensive loss for the year, net of tax</b>	<b>(6,764)</b>	(11,554)
<b>Total comprehensive (loss)/income for the year attributable to:</b>		
– Owners of the Company	(7,184)	(11,768)
– Non-controlling interests	420	214
	<b>(6,764)</b>	(11,554)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7,846	9,045
Right-of-use assets		3,113	4,261
Investment property		10,362	12,321
Intangible asset		507	507
Financial assets at fair value through other comprehensive income		–	328
Other financial assets carried at amortised cost	9	153	168
<b>Total non-current assets</b>		<b>21,981</b>	26,630
<b>Current assets</b>			
Inventories		9,897	7,763
Trade receivables and other financial assets carried at amortised cost	9	85,903	62,996
Other current assets		58,801	21,990
Cash and cash equivalents		11,245	11,137
<b>Total current assets</b>		<b>165,846</b>	103,886
<b>Total assets</b>		<b>187,827</b>	130,516
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		78,626	78,626
Reserves		(44,961)	(37,777)
		<b>33,665</b>	40,849
Non-controlling interests		2,958	2,538
<b>Total equity</b>		<b>36,623</b>	43,387

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other borrowings		<b>51,588</b>	3,000
Lease liabilities		<b>1,801</b>	2,897
Deferred income tax liabilities		–	744
<b>Total non-current liabilities</b>		<b>53,389</b>	6,641
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>58,512</b>	31,158
Contract liabilities	<i>3</i>	<b>9,936</b>	2,118
Current income tax liabilities		<b>2,731</b>	2,282
Other borrowings		<b>9,934</b>	28,203
Promissory notes		<b>15,000</b>	15,000
Lease liabilities		<b>1,702</b>	1,727
<b>Total current liabilities</b>		<b>97,815</b>	80,488
<b>Total liabilities</b>		<b>151,204</b>	87,129
<b>Total equity and liabilities</b>		<b>187,827</b>	130,516

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 1 General information

Seamless Green China (Holdings) Limited (the “Company”) is an investment holding company and together with its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing and trading of Light Emitting Diode (“LED”) and related products, manufacturing and sale of optoelectronic products and sapphire watch crystals, trading of liquor and property investment.

The Company was incorporated in the Cayman Islands on 18 January 2001 as an exempted company with limited liability. The issued shares of the Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited since 10 August 2001. Pursuant to a special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008. The change of domicile has no impact on the continuity and the listing status of the Company. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 1604, Seaview Commercial Building, 21-24 Connaught Road West, Sheung Wan, Hong Kong respectively.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated.

## 2 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The consolidated financial statements have been prepared under the historical cost convention, except for the investment property and financial assets at fair value through other comprehensive income (“FVOCI”), which are measured at fair values.

### 2.1 Changes in accounting policy and disclosures

#### (a) **New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

HKFRS 3	Definition of a Business (amendments)
HKAS 1 and HKAS 8	Definition of Material (amendments)
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of other new and amended standards, improvements and interpretation did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2 Basis of preparation *(continued)*

### 2.1 Changes in accounting policy and disclosures *(continued)*

#### **(b) New and amended standards, interpretations and revised framework that have been issued but were not yet effective**

		<b>Effective for annual periods beginning on or after</b>
HKFRS 16	Covid-19-Related Rent Concessions (amendments)	1 June 2020
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The Group has commenced an assessment of the impact of these new and amended standards, interpretations and revised framework and are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group does not intend to early adopt these standards before their respective effective dates.

### 2.2 Going concern

For the year ended 31 December 2020, the Group incurred loss attributable to owners of the Company and net cash used in operating activities of approximately HK\$11.2 million and HK\$23.1 million respectively.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 2020. The directors are of the opinion that, taking into account of the following plans and measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due within the next 12 months from 31 December 2020:

- (1) Certain suppliers request payment immediately on receipt or even payment in advance in order to maintain cash flow in the supply chain which have been heavily disrupted by the outbreak of COVID-19 in 2020. The Group had an advanced prepayment to suppliers amounting to approximately HK\$58 million as at 31 December 2020. The improvement in supply chain in 2021 will contribute to a loosener credit term granted by the suppliers, the utilisation of the advanced prepayments shall provide relief to the liquidity burden of the Group;
- (2) The Group had received payment in advanced from certain customers amounting to approximately HK\$10 million as at 31 December 2020 and had received subsequent settlement of trade receivables amounting to approximately HK\$56 million in the first quarter of 2021. The management will continue to negotiate a shorter-repayment terms with debtors to improve liquidity;
- (3) The Group will recover its sales to the pre-COVID-19 level as its impact to the economic activities in China continues to lessen; and

## **2 Basis of preparation** *(continued)*

### **2.2 Going concern** *(continued)*

- (4) The Group will be able to obtain financing from directors and/or non-financial institutions, as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## **3 Segment information**

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

There are four operating segments as follows:

- (a) LED and related products segment ("LED") is engaged in manufacturing and trading of LED and related products;
- (b) Optoelectronic products segment ("Optoelectronic") is a supplier of optoelectronic products for use in the watch products;
- (c) Liquor products segment ("Liquor") is engaged in trading of wine; and
- (d) Sapphire watch crystals segment ("Sapphire") is a supplier of watch crystals mainly for use in the manufacturing of watch products.

Reportable segment results represent the profit or loss resulted by each segment and exclude interest income, interest expenses on other borrowings, change in fair value of investment property, provision for impairment of other financial assets carried at amortised cost, and unallocated corporate expenses.

Segment assets exclude unallocated corporate assets, investment property, financial assets at fair value through other comprehensive income, and cash and cash equivalents.

Segment liabilities exclude unallocated corporate liabilities, other borrowings, promissory notes, current income tax liabilities and deferred income tax liabilities.



### 3 Segment information *(continued)*

#### Year ended 31 December 2020

	LED HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	Sapphire HK\$'000	Total HK\$'000
<b>Year ended 31 December 2020</b>					
<b>Segment revenue:</b>					
Sales to external customers	138,897	2,702	448	-	142,047
<b>Segment results</b>	<b>2,446</b>	<b>(738)</b>	<b>(363)</b>	<b>-</b>	<b>1,345</b>
Unallocated:					
Change in fair value of investment property					(2,704)
Reversal of impairment of other financial assets carried at amortised cost					20
Unallocated corporate income					72
Unallocated corporate expenses					
- staff costs					(1,896)
- others					(7,977)
Loss before income tax					(11,140)
<b>As at 31 December 2020</b>					
Segment assets	172,032	3	2,893	-	174,928
Unallocated:					
Cash and cash equivalents					284
Investment property					10,362
Other unallocated assets					2,253
Total assets					187,827
Segment liabilities	(59,767)	(5,959)	(47)	-	(65,773)
Unallocated:					
Promissory notes					(15,000)
Other borrowings					(61,522)
Current income tax liabilities					(2,731)
Other unallocated liabilities					(6,178)
Total liabilities					(151,204)
<b>Other segment information:</b>					
Capital expenditure	(464)	-	-	-	(4)
Interest income	-	-	-	-	10
Finance costs	(155)	-	-	-	(3,017)
Depreciation of property, plant and equipment and right-of-use assets	(3,275)	-	(1)	-	(786)
Income tax credit/(expense)	(591)	-	-	-	771
Provision for impairment of inventories	(261)	-	-	-	(261)
Reversal of impairment of other receivables	-	-	-	-	20
Provision for impairment of trade receivables	(2,899)	-	-	-	(2,899)

### 3 Segment information *(continued)*

#### Year ended 31 December 2019

	LED HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	Sapphire HK\$'000	Total HK\$'000
<b>Year ended 31 December 2019</b>					
<b>Segment revenue:</b>					
Sales to external customers	145,683	200	719	-	146,602
<b>Segment results</b>	2,028	(294)	(310)	-	1,424
Unallocated:					
Change in fair value of investment property					(1,145)
Provision for impairment of other financial assets carried at amortised cost					(338)
Unallocated corporate income					21
Unallocated corporate expenses					
- staff costs					(2,058)
- others					(7,537)
Loss before income tax					(9,633)
<b>As at 31 December 2019</b>					
Segment assets	112,332	27	2,755	-	115,114
Unallocated:					
Cash and cash equivalents					278
Investment property					12,321
Financial assets at fair value through other comprehensive income					328
Other unallocated assets					2,475
Total assets					130,516
Segment liabilities					
	(26,118)	(5,187)	(34)	-	(31,339)
Unallocated:					
Promissory notes					(15,000)
Other borrowings					(31,203)
Current income tax liabilities					(2,282)
Deferred income tax liabilities					(744)
Other unallocated liabilities					(6,561)
Total liabilities					(87,129)
<b>Other segment information:</b>					
Capital expenditure	(2,495)	-	-	-	(2,495)
Interest income	-	-	-	-	21
Finance costs	(3,768)	-	-	-	(4,545)
Depreciation of property, plant and equipment and right-of-use assets	(1,641)	-	(1)	-	(2,134)
Income tax expense	(934)	(9)	-	-	(657)
Provision for impairment of inventories	(795)	-	-	-	(795)
Reversal of impairment of trade receivables	506	-	-	-	506
Provision for impairment of other financial assets carried at amortised cost	-	-	-	-	(338)

### 3 Segment information *(continued)*

#### Geographic Information

##### (a) Revenue from external customers

The Group's revenue from external customers by geographical area, which is determined by the country where the goods were delivered, is as follows:

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
The PRC	138,995	142,440
Hong Kong	3,052	4,162
	<b>142,047</b>	146,602

##### (b) Non-current assets

The Group's non-current assets other than financial assets at fair value through other comprehensive income by geographic area is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
The PRC	20,781	25,020
Hong Kong	1,200	1,282
	<b>21,981</b>	26,302

#### Key Customers

For the year ended 31 December 2020, there were four customers (2019: four) which individually contributed over 10% of the Group's revenue, the revenue contributed from each of these customers was as follows:

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Customer A	51,990	–
Customer B	26,448	17,884
Customer C	21,223	15,570
Customer D	19,263	–
Customer E	–	64,851
Customer F	–	23,152

### 3 Segment information *(continued)*

#### Contract assets

The Group did not recognise any revenue-related contract assets during the year ended 31 December 2020 (2019: Nil).

#### Contract liabilities

The balances represent the receipt in advance from customers. The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Contract liabilities	<b>9,936</b>	2,118

#### (a) Significant change in contract liabilities

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance under the contracts which are mainly from sales of LED and related products.

#### (b) Revenue recognised in relation to contract liabilities

The follow table shows the revenue recognised for the year ended 31 December 2020 and 2019 relates to carried-forward contract liabilities.

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Sales of LED and related products	<b>2,118</b>	1,036

#### (c) Unsatisfied contracts

The Group selects to choose a practical expedient and omits disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

## 4 Revenue, other income and other losses, net

	2020	2019
	HK\$'000	HK\$'000
<b>Revenue from customers and recognised at point in time</b>		
Sales of LED and related products	138,897	145,683
Sales of optoelectronic products	2,702	200
Sales of liquor products	448	719
	<b>142,047</b>	146,602
<b>Other income</b>		
Interest income	10	21
Others	197	211
	<b>207</b>	232
<b>Other losses, net</b>		
Change in fair value of investment property	(2,704)	(1,145)
	<b>(2,704)</b>	(1,145)
<b>Other income and other losses, net</b>	<b>(2,497)</b>	(913)

## 5 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and administrative and other operating expenses are analysed as follows:

	2020	2019
	HK\$'000	HK\$'000
Auditor's remuneration		
– Audit services	668	630
Depreciation		
– property, plant and equipment	2,206	955
– right-of-use assets	1,856	1,179
Cost of inventories sold	123,882	129,506
Provision for impairment of inventories	261	795
Employee benefit expenses (including directors' emoluments)	5,864	6,013
Foreign exchange losses	46	451
Lease payments for short-term leases	114	424
Legal and professional fee	3,883	5,178
Subcontracting fee	355	1,942
Others	5,504	3,872
Total cost of sales, selling and distribution expenses and administrative and other operating expenses	<b>144,639</b>	150,945

## 6 Income tax (credit)/expense

	2020	2019
	HK\$'000	HK\$'000
Current income tax		
– PRC Corporate Income Tax (“CIT”)	591	934
– Under provision in prior year	–	9
Deferred income tax	(771)	(286)
	<b>(180)</b>	657

Hong Kong profits tax has been provided for as there is business operation that is subject to Hong Kong profits tax. Under the two-tiered profits tax rates regime, for the years ended 31 December 2020 and 2019, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% remaining on the estimated assessable profits. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

CIT is provided on the assessable income of entities within the Group incorporated in the PRC. The applicable CIT tax rate is 25% (2019: 25%) unless preferential tax rates were applicable.

## 7 Loss per share

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Loss attributable to the owners of the Company (HK\$'000)	<b>(11,202)</b>	(10,557)
Weighted average number of ordinary shares in issue (thousand shares)	<b>1,572,517</b>	1,572,517
Basic loss per share attributable to owners of the Company (HK cents)	<b>(0.71)</b>	(0.67)

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all potentially dilutive ordinary shares. The Company has one (2019: one) category of potentially dilutive ordinary shares: share options (2019: share options). For the share options, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the years ended 31 December 2020 and 2019, diluted loss per share is same as the loss per share as the exercise of potential ordinary shares in relation to the share options issued were not assumed to be exercised as they would have an anti-dilutive impact to the basic loss per share (2019: same).

## 8 Dividends

The directors did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

## 9 Trade receivables and other financial assets carried at amortised cost

	2020 HK\$'000	2019 HK\$'000
Trade receivables	<b>90,271</b>	62,484
Less: Provision for impairment	<b>(7,942)</b>	(4,644)
Trade receivables, net	<b>82,329</b>	57,840
Other financial assets carried at amortised cost	<b>11,177</b>	12,786
Less: Provision for impairment	<b>(7,450)</b>	(7,462)
Other financial assets carried at amortised cost, net	<b>3,727</b>	5,324
Total trade receivables and other financial assets carried at amortised cost	<b>86,056</b>	63,164
Less: Amounts classified as non-current portion	<b>(153)</b>	(168)
Current portion	<b>85,903</b>	62,996

The Group's credit terms to trade debtors mainly range from 60 to 180 days. As at 31 December 2020 and 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	<b>14,397</b>	9,745
31 to 60 days	<b>18,007</b>	12,665
61 to 90 days	<b>13,877</b>	6,858
Over 90 days	<b>43,990</b>	33,216
	<b>90,271</b>	62,484

## 10 Trade and other payables

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>35,789</b>	14,271
Amount due to a director	<b>631</b>	690
Consideration payable	<b>3,058</b>	2,865
Other payables and accruals	<b>19,034</b>	13,332
	<b>58,512</b>	31,158

Amount due to a director is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

The ageing analysis of the trade payables based on the invoice date are as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>3,538</b>	686
31 to 60 days	<b>1,266</b>	1,631
61 to 90 days	<b>4,132</b>	996
Over 90 days	<b>26,853</b>	10,958
	<b>35,789</b>	14,271

The average credit period granted by the Group's suppliers ranges from 0 to 60 days.

## 11 Contingent liabilities

As at 31 December 2020 and 2019, the Group had no material contingent liabilities.



## **BUSINESS AND FINANCIAL REVIEW**

The Company is an investment holding company. The Group's principal activities were involved in the manufacturing and trading of LED and related products, manufacturing and sale of optoelectronic products and sapphire watch crystals, trading of liquor, and property investment.

During the year ended 31 December 2020 (the "Year"), the total revenue of the Group amounted to approximately HK\$142.0 million, representing a 3.1% decrease as compared to approximately HK\$146.6 million in 2019. Loss attributable to owners of the Company for the Year was approximately HK\$11.2 million, as compared to approximately HK\$10.6 million in 2019.

### **Revenue**

#### ***LED and related products division***

The Group's LED and related products division recorded a revenue of HK\$138.9 million for the Year (2019: HK\$145.7 million), representing a decrease of approximately 4.7%. The decrease was mainly due to decrease in sales orders as a result of COVID-19 outbreak which lead to uncertain macroeconomic environment and poor consumption appetite. The Group will continue to launch marketing and business development programmes, implement cost-control measures, and diversify its product range with the view to stimulating sales and strengthening the Group's resistance towards these downturn factors caused by the COVID-19 outbreak.

#### ***Optoelectronics products division***

The Group's optoelectronics products division recorded a revenue of HK\$2.7 million during the Year (2019: HK\$0.2 million), represented an increase of 1250% as compared to 2019. The increase was mainly due to new trading orders for new product launched during the Period. The Board will continue to monitor the market situation and will continue to explore business opportunities to leverage on the Group's established experience in watch industry.

#### ***Trading of liquor products division***

The Group's liquor trading division recorded a revenue of HK\$0.4 million (2019: HK\$0.7 million), representing a decrease of 42.9% as compared to 2019. The Board will continue to adjust its strategy to explore business opportunities to leverage on the Group's established experience in liquor trading industry. The Company will also review the performance of its distribution channels and make necessary adjustments as and when necessary.

#### ***Sapphire watch crystals division***

The Group's sapphire watch crystals division did not generate any revenue during the Year (2019: Nil), principally due to the sluggish market of traditional watches resulted from competition of smart watches.

#### ***Administrative and other operating expenses***

Total administrative and other operating expenses were HK\$13.2 million for the Year (2019: HK\$14.5 million), representing a decrease of 9.0% which was mainly due to decrease in legal and professional fee.

#### **Provision for impairment of trade receivable and other financial assets carried at amortised cost**

##### ***Provision for impairment of trade receivables***

The Group recognised loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions.

As at 31 December 2020, loss allowance of HK\$7.9 million (2019: HK\$4.6 million) was recognised with respect to the Group's trade receivables of which HK\$3.3 million (2019: HK\$3.1 million) were related to trade receivables due from customers with known financial difficulties or significant doubt on collection that are individually assessed to be fully impaired. The rest of the loss allowance was calculated using a provision matrix.

### **Provision for impairment of other financial assets carried at amortised cost**

Provision for impairment of other financial assets carried at amortised cost remained stable at HK\$7.5 million as at 31 December 2020 and 2019 respectively.

### **Other current assets**

The Group's other assets mainly represented prepayments to suppliers for procurement for raw materials for production of LED products.

The increase in prepayments by HK\$36.9 million from HK\$21.1 million as at 31 December 2019 to HK\$58.0 million as at 31 December 2020 was mainly due to the weak market condition and consumer sentiment caused by COVID-19, resulting in conservative procurement planning and strict credit terms granted by the suppliers.

### **Capital structure, financial resources and liquidity**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the value of its shareholders (the "Shareholders").

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the Shareholders, issue new shares, obtain other borrowings, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as promissory notes, lease liabilities and other borrowings, less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at 31 December 2020 and 2019 were as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Promissory notes	<b>15,000</b>	15,000
Lease liabilities	<b>3,503</b>	4,624
Other borrowings	<b>61,522</b>	31,203
Less: cash and cash equivalents	<b>(11,245)</b>	(11,137)
Net debt	<b>68,780</b>	39,690
Total equity	<b>36,623</b>	43,387
Total capital	<b>105,403</b>	83,077
Gearing ratio	<b>65.3%</b>	47.8%

The increase in gearing ratio was attributable to the increase in other borrowings during the Year.

The shareholders' funds of the Group decreased to approximately HK\$36.6 million as at 31 December 2020 (2019: approximately HK\$43.4 million), which was mainly due to the operating loss during the Year. The Group's current assets amounted to approximately HK\$165.8 million as at 31 December 2020 (2019: approximately HK\$103.9 million), of which approximately HK\$11.2 million (2019: approximately HK\$11.1 million) was cash and cash equivalents.

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$11.2 million (2019: approximately HK\$11.1 million), of which approximately 5%, 95% and 0% (2019: approximately 5%, 95% and 0%) were denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States dollars ("USD") respectively.

As at 31 December 2020, all other borrowings and promissory notes of the Group bore fixed interest rates, the maturity (with repayable on demand clause) and currency profile are set out as follows:

	<b>Within 1 year</b>	<b>2nd year</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollars	19,054	6,900	25,954
Renminbi	5,880	44,688	50,568
	24,934	51,588	76,522

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from operations and fund raising activities.

Trade receivables mainly represented the sales of LED and related products which accounted for approximately over 99.3% of the gross trade receivable balances as at 31 December 2020 (2019: 99.6%). As at the latest practicable date prior to the date of this announcement, trade receivables in the amount of approximately HK\$56.6 million were subsequently settled.

#### **Foreign currency risk**

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK\$ and US\$. Since the exchange rate of US\$ against HK\$ is pegged to each other under the Linked Exchange Rate System, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Year. However, the management will monitor the Group's foreign currency exposure should the need arise.

#### **Contingent liabilities**

At 31 December 2020, the Group had no material contingent liabilities.

#### **Employees and remuneration policies**

As at 31 December 2020, the Group had 63 employees (2019: 72). Employees were remunerated according to their performance and work experience. In addition to the basic salaries and retirement scheme, staff benefits including free accommodation at the Group's staff quarters in Hong Kong, performance bonus and share options. The total staff costs including Directors' remuneration for the Year were approximately HK\$5.9 million (2019: approximately HK\$6.0 million).

#### **Significant investments, material acquisitions and disposal of subsidiaries and affiliated companies**

The Group had no significant investments, material acquisitions and disposal of subsidiaries and affiliated companies during the Year.

#### **Pledge of assets**

As at 31 December 2020, the Group had no pledge of assets.

## Litigation

- (i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited (“JMM”) against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors; and (b) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant impact on the financial statements of the Company.
- (ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited (“Good Capital”) against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors; and (b) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant impact on the financial statements of the Company.
- (iii) Under action HCA 987/2016, Good Return (BVI) Limited (“Good Return”), a wholly-owned subsidiary of the Company, claims against Wickham Ventures Limited (“Wickham”) and Ms. Lee Hei Wun (“Ms. Lee”) for, among others, the shortfall of a profit guarantee in a total sum of HK\$16,188,374 pursuant to the sale and purchase agreement under which Good Return acquired Arnda Semiconductor Limited from Wickham (the “Legal Action”). Ms. Lee filed a Defence and Counterclaim alleging misrepresentation and breach of contract on the part of Good Return and claiming damages (unquantified), and seeking to rectify and rescind previous agreements. The court has granted judgment on 4 September 2020 in favour of Good Return for the sum of HK\$3,000,000 plus interest.
- (iv) On 11 February 2015, the Company and Silver Bonus Limited (a wholly-owned subsidiary of the Company and the purchaser to the acquisition) issued a writ of summons against Mr. Lau Hin Chung (the first vendor), Shinning Team Investment Limited (the second vendor), Neo Partner Investments Ltd. (the “Target Company”), Harvest View (China) Limited (a wholly-owned subsidiary of the Target Company) and Mr. Chen Zai (the registered owner of the other 55% shareholding in the Target Company) to claim for relief including damages for breach of contract and/or rescission of contract based on misrepresentation (including a declaration that the promissory notes issued as consideration for the acquisition being null and void and unenforceable), and negligence and breach of fiduciary duties against certain ex-directors of the Company. The Company’s claim relates to the acquisition by the Group of 28% shareholding in the Target Company for the consideration of HK\$23,800,000, pursuant to a sale and purchase agreement dated 10 December 2012 (as supplemented by a supplemental agreement dated 14 December 2012) which was completed on 23 January 2013. The Company has instructed its legal adviser to continue to uphold its rights in the legal action.
- (v) On 20 April 2016, a writ of summons was issued by Mr. Zhu Jun Min (“Mr. Zhu”) against the Company for claiming a sum of approximately HK\$3.5 million, being the face value of a promissory note allegedly issued by the Company to Mr. Zhu in 2013. The Company has instructed its legal adviser to uphold its rights in the legal action.

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

## **PROSPECTS**

The COVID-19 outbreak since January 2020 and the uncertain macroeconomic environment have brought disruptions to the logistics of the supply chain for the Group's production lines in the PRC during the first half of 2020. As the schedule of full production resumption amongst upstream materials suppliers in the PRC varies, coupled with policies implemented in certain provinces and cities to restrict the movement of goods and people, a shortage of certain raw materials is resulted. Although COVID-19 pandemic well under control across the PRC and encouraged by the distribution of vaccine, the production only gradually resumed in the second quarter of 2020, the Group's financial performance for the Year was therefore adversely affected by the pandemic.

The Group will closely monitor the situation and the Group's exposure to the risks and uncertainties in connection with COVID-19, and assess and react proactively to its impacts on the financial position and results of the Group. In view of the generally weak market conditions, the Group will continue to take a conservative approach in capacity planning, and adopt stringent cost and risk management measures to guard against heightened uncertainty in the operating landscape.

The Company has been continuously reviewing its business operations and financial position for the purpose of formulating business plans and strategies for its future business development, which would enable the Group not only to develop its existing business divisions but also to capture business opportunities, diversify its businesses and broaden its income sources. The Company will endeavour to allocate its resources in an efficient and effective manner and in the best interest of the Company and its Shareholders as a whole.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

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

Save as aforesaid, the Company did not redeem any of its Shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

## **REVIEW BY AUDIT COMMITTEE**

As required by Rule 5.29 of the GEM Listing Rules, the Company has established an Audit Committee with written terms of reference, which deals clearly with its authority and duties. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and its internal control and risk management systems. As at the date of this report, the Audit Committee comprises four INEDs, namely Mr. Yan Guoniu (chairman of the Audit Committee), Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The Company's audited consolidated financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements had been prepared in compliance with the applicable accounting principles and requirements of the GEM Listing Rules.

## **EVENT AFTER THE REPORTING PERIOD**

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

The Company is committed to implementing good corporate governance practices and emphasising transparency and accountability to its shareholders and stakeholders.

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules throughout the Year except for the followings:

Code provision A.2.1 of the CG Code stipulates that roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. KH Wong serves as the chairman of the Board (the "Chairman") and also acts as the chief executive officer of the Company. The Board believes that vesting the roles of both Chairman and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Directors (including executive Directors and INEDs) are not appointed for a specific term but they are all subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

## **SCOPE OF WORK OF INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's independent auditor, Linksfield CPA Limited ("Linksfield"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Linksfield in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Linksfield on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website ([www.victoryhousefp.com/lchp/8150.html](http://www.victoryhousefp.com/lchp/8150.html)). The annual report of the Company for the Year will be despatched to the shareholders of the Company in due course and will be available on the respective websites of the Stock Exchange and the Company on 31 March 2021.

By order of the Board  
**Seamless Green China (Holdings) Limited**  
**Wong Kin Hong**  
*Chairman*

Hong Kong, 31 March 2021

As at the date of this announcement, the directors of the Company (the "**Directors**") are:

### ***Executive Directors:***

Mr. Wong Kin Hong (*Chairman*)

Mr. Huang Yonghua

Mr. Wong Tat Wa

Ms. Leung Po Yee

### ***Independent Non-executive Directors:***

Mr. Yan Guoniu

Mr. Tang Rong Gang

Mr. Ou Wei An

Mr. Ng Yu Ho, Steve

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 announcement 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 announcement misleading.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company (<http://www.victoryhousefp.com/lchp/8150.html>).*