CHINA TYCOON BEVERAGE HOLDINGS LIMITED

中國大亨飲品控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 209)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors (the "Board") of China Tycoon Beverage Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*5*	**453,236**	575,377
Cost of sales		**(419,696)**	(479,314)
Gross profit		**33,540**	96,063
Other revenue and other net income	*5*	**5,156**	8,660
Selling and distribution costs		**(21,224)**	(62,683)
Administrative expenses		**(73,322)**	(80,069)
Impairment loss of goodwill	*13*	**–**	(163,208)
Impairment loss of intangible assets	*12*	**–**	(88,341)
Net gain/(loss) on trading securities at fair value through profit or loss	*6*	**2,601**	(28,604)
Other operating expenses		**(2,854)**	(75,417)
Loss from operations		**(56,103)**	(393,599)
Finance costs	*7*	**(5,825)**	(4,615)
Loss before taxation	*6*	**(61,928)**	(398,214)
Income tax	*8*	**(2,172)**	12,705
Loss for the year		**(64,100)**	(385,509)

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Attributable to:			
Owners of the Company		**(58,085)**	(359,410)
Non-controlling interests		**(6,015)**	(26,099)
Loss for the year		**(64,100)**	(385,509)
Loss per share			
Basic	*9*	**(HK3.44 cents)**	(HK21.51 cents)
Diluted	*9*	**(HK3.44 cents)**	(HK21.51 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Loss for the year	**(64,100)**	(385,509)
Other comprehensive income for the year		
Revaluation surplus on leasehold buildings	**1,159**	7,343
Deferred tax charge arising from revaluation surplus on leasehold buildings	**(3,529)**	(453)
	(2,370)	6,890
Exchange differences on translation of financial statements of overseas subsidiaries	**650**	20,806
Other comprehensive (loss)/income for the year, net of tax	**(1,720)**	27,696
Total comprehensive loss for the year, net of tax	**(65,820)**	(357,813)
Attributable to:		
Owners of the Company	**(59,786)**	(333,583)
Non-controlling interests	**(6,034)**	(24,230)
	(65,820)	(357,813)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**140,180**	142,750
Deposits for acquisition of property, plant and equipment		**–**	25,904
Prepaid land premiums		**4,851**	5,003
Intangible assets	*12*	**2,626**	2,750
Goodwill	*13*	**834**	834
Interests in associates		**–**	–
		148,491	177,241
Current assets			
Trading securities		**151,067**	139,727
Inventories		**100,938**	104,744
Prepaid land premiums		**152**	152
Trade receivables	*10*	**30,644**	92,167
Prepayments, deposits and other receivables		**16,625**	57,268
Loan receivable		**–**	10,062
Derivative financial instruments		**–**	843
Pledged bank deposits		**2,996**	32,847
Cash and cash equivalents		**130,246**	69,113
		432,668	506,923
Current liabilities			
Trade payables	*11*	**43,493**	52,840
Other payables		**70,824**	93,611
Derivative financial instruments		**–**	1,318
Interest-bearing bank borrowings		**88,760**	96,033
Tax payable		**5,030**	4,666
		208,107	248,468
Net current assets		**224,561**	258,455
Total assets less current liabilities		**373,052**	435,696
Non-current liabilities			
Deferred tax liabilities		**7,004**	3,828
		7,004	3,828
Net assets		**366,048**	431,868

	2012	2011
	HK$'000	*HK$'000*
Equity		
Equity attributable to owners of the Company		
Share capital	**168,641**	168,641
Reserves	**211,385**	271,173
	380,026	439,814
Non-controlling interests	**(13,978)**	(7,946)
Total equity	**366,048**	431,868

Notes:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at Suite 1004, 10th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are manufacturing and trading of hard and stuffed toys, manufacturing and sales of beverage products and securities investments. The Group's operations are based in Hong Kong and the People's Republic of China, excluding Hong Kong and Macau (the "PRC").

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted the following new and revised HKFRSs issued by the HKICPA that are first effective for the current accounting period.

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfer of Financial Assets; and
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical location. In a manner consistent with the way in which information is reported internally to the Board (the chief operating decision maker) of the Company for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Securities investments: this segment derives its revenue from dividend received from equity securities investments.

2. Manufacturing and trading of hard and stuffed toys: this segment derives its revenue from manufacturing and sales of hard and stuffed toys (the "Toys Segment").

3. Manufacturing and sales of beverage products: this segment derives its revenue from manufacturing and sales of beverage products (the "Beverage Segment").

In accordance with HKFRS 8, segment information disclosed in these consolidated financial statements has been prepared in a manner consistent with the information used by the Board for the purposes of assessing segment performance and allocating resources among segments. In this regard, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets attributable to an individual reportable segment with the exception of certain unallocated corporate assets and loan receivable.

All liabilities are allocated to reportable segments other than unallocated corporate liabilities.

Segment profit or loss before taxation exclude unallocated interest income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

(a) **Segment results, assets and liabilities**

	Securities investments		Manufacturing and trading of hard and stuffed toys		Manufacturing and sales of beverage products		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue								
Revenue from external customers	**1,800**	900	**441,870**	393,844	**9,566**	180,633	**453,236**	575,377
Reportable segment profit/(loss) before taxation	**4,146**	(28,404)	**(17,656)**	(29,328)	**(33,996)**	(329,023)	**(47,506)**	(386,755)
Other segment information:								
Depreciation	**–**	–	**(9,611)**	(9,566)	**(1,572)**	(6,388)	**(11,183)**	(15,954)
Amortisation of prepaid land premiums	**–**	–	**(152)**	(152)	**–**	–	**(152)**	(152)
Amortisation of intangible assets	**–**	–	**–**	–	**(123)**	(5,072)	**(123)**	(5,072)
Impairment loss of intangible assets	**–**	–	**–**	–	**–**	(88,341)	**–**	(88,341)
Impairment loss of goodwill	**–**	–	**–**	–	**–**	(163,208)	**–**	(163,208)
Impairment loss of property, plant and equipment	**–**	–	**–**	–	**–**	(44,802)	**–**	(44,802)
Impairment loss of trade receivables	**–**	–	**–**	–	**(1,792)**	(1,982)	**(1,792)**	(1,982)
Write down of inventories, net	**–**	–	**(9,292)**	(16,988)	**–**	(23,446)	**(9,292)**	(40,434)
Gain/(loss) on disposal of property, plant and equipment	**–**	–	**(457)**	(88)	**4**	–	**(453)**	(88)
Gain on disposal of non-current assets held for sale	**–**	–	**–**	700	**–**	–	**–**	700
Net gain/(loss) on trading securities at fair value through profit or loss	**2,601**	(28,604)	**–**	–	**–**	–	**2,601**	(28,604)
Bank interest income	**–**	–	**114**	996	**141**	112	**255**	1,108
Interest income from customers	**–**	–	**–**	111	**–**	–	**–**	111
Interest expense	**–**	(12)	**(5,825)**	(4,603)	**–**	–	**(5,825)**	(4,615)
Additions to non-current segment assets	**–**	–	**9,046**	2,271	**205**	3,183	**9,251**	5,454
Reportable segment assets	**153,007**	139,727	**293,560**	316,102	**114,970**	185,338	**561,537**	641,167
Reportable segment liabilities	**–**	–	**(175,519)**	(177,032)	**(34,785)**	(72,060)	**(210,304)**	(249,092)

Note: There were no inter-segment sales in both years.

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2012	2011
	HK$'000	*HK$'000*
(i) Loss before taxation		
Reportable segment loss	**(47,506)**	(386,755)
Unallocated interest income	**315**	1,644
Unallocated corporate expenses	**(14,737)**	(13,103)
Consolidated loss before taxation	**(61,928)**	(398,214)
(ii) Assets		
Reportable segment assets	**561,537**	641,167
Loan receivable	**–**	10,062
Unallocated corporate assets	**19,622**	32,935
Consolidated total assets	**581,159**	684,164
(iii) Liabilities		
Reportable segment liabilities	**210,304**	249,092
Unallocated corporate liabilities	**4,807**	3,204
Consolidated total liabilities	**215,111**	252,296

(c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2012	2011
	HK$'000	*HK$'000*
Beverage products	**9,566**	180,633
Hard and stuffed toys	**441,870**	393,844
Securities investments	**1,800**	900
	453,236	575,377

(d) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets as specified below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid land premiums, intangible assets, goodwill and interests in associates. The geographical locations of property, plant and equipment and prepaid land premiums are based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to which these intangible assets specified are allocated. In the case of interests in associates, it is based on the location of operations of such associates.

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**19,883**	14,314	**8,881**	11,600
The PRC	**9,566**	180,633	**139,610**	139,737
United States and Canada	**376,704**	274,592	**–**	–
Japan	**47,083**	105,838	**–**	–
	453,236	575,377	**148,491**	151,337

(e) Information about major customers

Revenue from customers contributing 10% or more of the total sales of the Group is as follows:

	2012	2011
	HK$'000	*HK$'000*
The largest customer – revenue from manufacturing and trading of hard and stuffed toys	**267,745**	225,880
Second largest customer – revenue from manufacturing and trading of hard and stuffed toys	**87,127**	66,740

5. REVENUE, OTHER REVENUE AND OTHER NET INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and dividend income from the Group's securities investments.

An analysis of the Group's revenue, other revenue and other net income is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**451,436**	574,477
Dividend income	**1,800**	900
	453,236	575,377
Other revenue and other net income		
Other revenue		
Bank interest income	**255**	1,508
Interest income from customers	**–**	111
Interest income from loan receivable	**315**	1,244
Total interest income on financial assets not at fair value through profit or loss	**570**	2,863
Other net income		
Fair value loss on derivative financial instruments – transactions not qualifying as hedges	**–**	(564)
Gain on disposal of non-current assets held for sale	**–**	700
Mould income	**655**	602
Net foreign exchange gain	**260**	2,965
Recovery of bad debt written off	**1,614**	–
Sublet rental income	**504**	480
Sundry income	**1,553**	1,614
	5,156	8,660
	458,392	584,037

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

	2012	2011
	HK$'000	*HK$'000*
a) Staff costs		
Employee benefit expense (including directors' remuneration):**		
– Wages and salaries	**154,440**	168,553
– Other employee benefits	**2,713**	2,015
– Pension schemes contributions	**13,290**	15,268
	170,443	185,836

	2012	2011
	HK$'000	*HK$'000*
b) Other items		
Auditors' remuneration:		
Audit services		
– Current year	**900**	2,300
– Under provision in prior years	**411**	83
– Other services	**958**	105
	2,269	2,488
Cost of inventories	**416,351**	475,017
Depreciation of property, plant and equipment*	**11,775**	16,200
Amortisation of intangible assets***	**123**	5,072
Amortisation of prepaid land premiums	**152**	152
Impairment loss of goodwill	**–**	163,208
Impairment loss of intangible assets	**–**	88,341
Impairment loss of property, plant and equipment ***	**–**	44,802
Impairment loss of trade receivables ***	**1,792**	1,982
Net foreign exchange loss/(gain)	**260**	(2,965)
Loss on disposal of property, plant and equipment, net	**453**	88
Operating lease charges in respect of land and buildings	**12,606**	14,341

* Depreciation of approximately HK$4,328,000 (2011: HK$10,520,000) is also included in "Cost of sales" on the face of the consolidated income statement.

** Employee benefit expense of approximately HK$132,191,000 (2011: HK$130,622,000) is also included in "Cost of sales" on the face of the consolidated income statement.

*** These items are included in "Other operating expenses" on the face of the consolidated income statement.

	2012	2011
	HK$'000	*HK$'000*
c) **Net (gain)/loss on trading securities at fair value through profit or loss:**		
Realised loss on trading securities at fair value through profit or loss	**10,549**	–
Unrealised (gain)/loss on trading securities at fair value through profit or loss	**(13,150)**	28,604
	(2,601)	28,604

7. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**5,825**	4,615
Total interest expense on financial liabilities not at fair value through profit or loss	**5,825**	4,615

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	2012	2011
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**10**	30
Over provision in prior year	**(17)**	(31)
	(7)	(1)
Current – The PRC		
Charge for the year	**1,603**	9,449
Under provision in prior year	**436**	889
	2,039	10,338
Deferred tax charge/(credit)	**140**	(23,042)
Income tax expense/(credit)	**2,172**	(12,705)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Enterprise Income Tax in the PRC has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2011: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Taxation arising in other jurisdictions is calculated at the rates of tax prevailing in the relevant jurisdictions.

9. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company of approximately HK$58,085,000 (2011: HK$359,410,000) and the weighted average number of 1,686,408,729 (2011: 1,670,792,291) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

10. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**34,467**	94,190
Less: allowance for impairment	**(3,823)**	(2,023)
	30,644	92,167

All of the trade receivables are expected to be recovered within one year.

Ageing analysis

The following is an analysis of the trade receivables by age, presented based on the invoice date and net of allowance:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**13,177**	42,309
31 to 90 days	**16,969**	11,131
Over 90 days	**498**	38,727
	30,644	92,167

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

As at 31 December 2011, included in the Group's trade receivables was an amount due from an associate of approximately HK$14,381,000 (before deducting the impairment loss of approximately HK$14,381,000), which was repayable on similar credit terms to those offered to the major customers of the Group. As the associate was dissolved in the year 2012, the amount due from an associate was written off during the year 2011.

11. TRADE PAYABLES

The ageing analysis of the trade payables as at 31 December 2012 is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**18,345**	21,472
31 to 90 days	**18,508**	20,962
Over 90 days	**6,640**	10,406
	43,493	52,840

The trade payables are expected to be settled within one year.

12. INTANGIBLE ASSETS

	Golf club membership	**Trademark**	**Customer relationships**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Cost				
At 1 January 2011	600	93,440	700	94,740
Exchange realignment	–	5,240	39	5,279
At 31 December 2011 and 1 January 2012	600	98,680	739	100,019
Exchange realignment	–	(12)	(1)	(13)
At 31 December 2012	**600**	**98,668**	**738**	**100,006**
Accumulated amortisation and impairment loss				
At 1 January 2011	(150)	(1,558)	(78)	(1,786)
Amortisation	–	(4,831)	(241)	(5,072)
Impairment loss	–	(87,938)	(403)	(88,341)
Exchange realignment	–	(2,053)	(17)	(2,070)
At 31 December 2011 and 1 January 2012	(150)	(96,380)	(739)	(97,269)
Amortisation	–	(123)	–	(123)
Exchange realignment	–	11	1	12
At 31 December 2012	**(150)**	**(96,492)**	**(738)**	**(97,380)**
Carrying amount				
At 31 December 2012	**450**	**2,176**	**–**	**2,626**
At 31 December 2011	450	2,300	–	2,750

Notes:

(a) The Group acquired the trademark and customer relationships through the acquisition of Tycoon Beverage Group Co. Ltd. and its subsidiaries (collectively referred to as "Tycoon Beverage Group") on 8 September 2010. The trademark and customer relationships had a finite life of 20 years and 3 years respectively. The trademark and customer relationships were valued by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group, at a fair value of approximately HK$91,000,000 and approximately HK$700,000 respectively at the acquisition date.

(b) Amortisation had been provided on a straight-line basis over the remaining useful life of 20 years and 3 years for trademark and customer relationships respectively from the date of acquisition. The amortisation charge of approximately HK$123,000 (2011: HK$5,072,000) for the year ended 31 December 2012 was included in other operating expenses in the consolidated income statement.

(c) Details of impairment testing are set out in note 13.

13. GOODWILL

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGUs") identified according to operating segments as follows:

	Beverage Segment *HK$'000*	**Toys Segment** *HK$'000*	**Total** *HK$'000*
Cost			
At 1 January 2011	323,459	–	323,459
Acquisition of subsidiaries	–	834	834
Exchange realignment	18,140	–	18,140
At 31 December 2011 and 1 January 2012	341,599	834	342,433
Exchange realignment	(42)	–	(42)
At 31 December 2012	**341,557**	**834**	**342,391**
Accumulated impairment loss			
At 1 January 2011	(165,639)	–	(165,639)
Impairment loss	(163,208)	–	(163,208)
Exchange realignment	(12,752)	–	(12,752)
At 31 December 2011 and 1 January 2012	(341,599)	–	(341,599)
Exchange realignment	42	–	42
At 31 December 2012	**(341,557)**	**–**	**(341,557)**
Carrying amount			
At 31 December 2012	**–**	**834**	**834**
At 31 December 2011	–	834	834

Goodwill of approximately HK$834,000 arose from the acquisition of new subsidiaries in the Toys Segment during the year 2011.

The recoverable amount for the cash generating units was determined based on value in use calculations covering a detailed three-year budget plan for Toys Segment and a five-year budget plan for Beverage Segment followed by an extrapolation of expected cash flows at the estimated growth rate stated below. The growth rate reflects the long-term average growth rate for the product lines of the cash generating units.

The key assumptions used for value in use calculations were as follows:

	Toys Segment		**Beverage Segment**	
	2012	2011	**2012**	2011
Growth rate	**14.13%**	14.13%	**Nil**	30.40%
Discount rate	**10.00%**	10.00%	**Nil**	13.24%

The key assumptions also included stable profit margins and management's expectations for market share, after taking into consideration market forecast and research. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value in use of the cash generating units above, the Group's management is not currently aware of other probable changes that would necessitate changes in its key estimates.

In late September 2011, the management had observed that due to the intense market competition faced by its beverage business, the single product line effect that the classic hawthorn fruit tea series remained as the key sales driver of the operation, the resignation of key management members of the operation, the over-expansion of the operation and the substantial increases in the operation's selling, distribution and administrative expenses, the results of the Tycoon Beverage Group had been unsatisfactory. As such, the management had undertaken various business initiatives with the view to enhance profitability of the operation including the trim down of its sales and distribution network. However, the negative impact brought by the cost cutting measures in trimming down the operation's sales and distribution network was much larger than the management had originally anticipated, resulting in a significant drop in the operation's revenue and an operating loss was incurred for the year ended 31 December 2011.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of approximately HK$251,549,000 was recognised and allocated to goodwill and intangible assets of approximately HK$163,208,000 and approximately HK$88,341,000 respectively, in the consolidated income statement for the year ended 31 December 2011.

In respect of the Toys Segment, no impairment loss for goodwill had been recognised as at 31 December 2012 and 2011 after impairment testing was performed as at the reporting date as the recoverable amount was higher than the carrying amount of the CGU.

MODIFICATION TO THE INDEPENDENT AUDITOR'S REPORT

The audit opinion on the consolidated financial statements of the Company for the year ended 31 December 2012 has been modified and is extracted as follows:

"Basis for qualified opinion

Limitation of scope on prior year's scope limitation affecting corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2011 included sales of goods amounting to HK$56,649,000 to customers of the beverage business which are now either deregistered or the Group has already ceased to conduct business with. As mentioned in our report dated 31 March 2014 on the Group's consolidated financial statements for the year ended 31 December 2011, following the resignation of certain personnel of the beverage operation, the management were unable to locate or provide certain relevant information and supporting documents for these sales transactions. As a result, we were unable to obtain sufficient appropriate audit evidence or to carry out alternative audit procedures that we considered necessary to verify the occurrence, completeness and accuracy of these sales amounts for the year ended 31 December 2011. Our audit opinion on the consolidated financial statements for the year ended 31 December 2011 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified opinion

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011 : nil).

BUSINESS REVIEW

For the year ended 31 December 2012, the Group recorded revenue of HK$453,236,000, representing a decline of 21% from last year (2011: HK$575,377,000), and gross profit of HK$33,540,000, down by 65% when compared with the prior year (2011: HK$96,063,000). The Group's loss for the year was HK$64,100,000, reduced significantly from the previous year (2011: HK$385,509,000) that was primarily due to the absence of impairment losses of goodwill and intangible assets recognised by the Group's beverage division in last year.

Toys Division

The operating environment of the toys division had improved in the year 2012. Owing to the exits of several toys manufacturers in the Pearl River Delta Region last year, the division was able to capture new business opportunities from existing and new customers that mainly led to the 12% growth in the division's revenue to HK$441,870,000 (2011: HK$393,844,000). The division's results had also improved by reporting a segment loss of HK$17,656,000, reduced significantly by 40% from last year (2011: HK$29,328,000) that was mainly due to the profit margin contributed by the additional sales made to existing and new customers, the better control in manufacturing costs attributed to the division's elevated production efficiency and the reduction of write down of inventories owing to effective inventory management.

Beverage Division

The performance of the beverage division continued to be unsatisfactory in the year 2012 and reported revenue and segment loss of HK$9,566,000 (2011: HK$180,633,000) and HK$33,996,000 (2011: HK$329,023,000) respectively. The division was operating in difficult business environment by the facts that there were intense competitions from other beverage manufacturers, the classic hawthorn fruit tea series continued to be the division's only key sales driver, and substantial selling and distribution expenses were required to support sales activities. In addition, the unexpected departure of senior management members of the division had also hindered the implementation of the division's business restructuring plan in downsizing the operation whilst improving its operating efficiency and maintaining its sales level. During the last quarter of 2012, the management had decided to switch the division's business focus on beverage market in third and fourth tier cities from the ones in first and second tier cities based on the expectations that competitions among beverage products were less severe, selling and distribution costs were lower and profit margin were higher in third and fourth tier cities' beverage markets. The management anticipated such strategic move would bring positive development to the division's financial performance. As of 31 December 2012, the division had 9 sales offices, about 60 distributors and 80 staff compared to 5 sales offices, about 90 distributors and 95 staff as of 30 June 2012.

Securities Investments

For the year 2012, the Group's securities investments operation recorded revenue of HK$1,800,000 (2011: HK$900,000) representing dividend received from listed equity securities investments. As a whole, the division reported segment profit of HK$4,146,000 (2011: segment loss of HK$28,404,000) comprised mainly unrealised gain of HK$13,150,000 recognised for holdings of listed equity securities measured at fair values at year end, realised loss of HK$10,549,000 on disposal of listed securities and dividend income of HK$1,800,000. There were signs that the financial conditions of the European economies were stabilized and the economic recovery of the United States was sustainable, though slow. As such, the investment sentiments of the Hong Kong stock market had improved and that the Group's securities portfolio had recognised an overall profit during the year. The Group's securities portfolio at the year end comprised mainly listed equity securities in mining and resources company, hotel and entertainment company, industrial materials company and financial services company. As at 31 December 2012, the Group's securities portfolio was valued at HK$151,067,000 (2011: HK$139,727,000).

As a whole, the Group reported a loss attributable to owners of the Company of HK$58,085,000 (2011: HK$359,410,000) and basic loss per share of HK3.44 cents (2011: HK21.51 cents) for the year. The Group reported total comprehensive loss, net of tax, of HK$65,820,000 (2011: HK$357,813,000) including a revaluation surplus on leasehold buildings of HK$1,159,000 (2011: HK$7,343,000) and exchange gain on translation of financial statements of overseas subsidiaries of HK$650,000 (2011: HK$20,806,000). The total comprehensive loss for the year, net of tax, attributable to owners of the Company, amounted to HK$59,786,000 (2011: HK$333,583,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 December 2012, the Group had current assets of HK$432,668,000 (2011: HK$506,923,000) comprising cash and cash equivalents of HK$130,246,000 (2011: HK$69,113,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK$208,107,000 (2011: HK$248,468,000), remained at a healthy ratio of 2.08 (2011: 2.04). The Group's bank loans as at 31 December 2012 were mainly denominated in Hong Kong dollars and United States dollars in the proportion of 87% and 13% (2011: 65% and 35%) respectively. All bank loans totalling HK$88,760,000 (2011: HK$96,033,000) would be matured within one year, out of which 87% bore fixed interest rate (2011: 65%) and the remaining 13% bore floating interest rate (2011: 35%).

The use of derivative financial instruments was strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and currency exposures.

The equity attributable to owners of the Company decreased by 14% to HK$380,026,000 (2011: HK$439,814,000) mainly as a result of the loss incurred by the Group during the current year. The Group financed its operations through a combination of bank financing and shareholder's equity. The Group's gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included interest-bearing bank borrowings, trade payables and other payables less pledged bank deposits and cash and cash equivalents. The Group's policy was to maintain its gearing ratio below 75% to ensure a healthy financial position. The gearing ratio of the Group as at 31 December 2012 was about 16% (2011: 25%).

Despite the loss incurred by the Group, the financial position of the Group remained solid with sufficient cash and undrawn committed credit facilities to support the Group's ongoing business operations.

PROSPECTS

The loss incurred by the Group was significantly reduced compared to last year that was mainly attributed to the profitable results of the securities investments operation and the improved financial performance of the toys and beverage division. Looking ahead, the management would continue to conduct review and analysis on different aspects of the toys and beverage operations including procurement and inventory control, production and logistics, sales and marketing, product research and development, and human resources management aiming to further improve their operating efficiency and financial performance in the near term.

CORPORATE GOVERNANCE

During the year ended 31 December 2012, the Company had complied with all the applicable code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 8 March 2012 and will remain suspended until further notice.

By Order of the Board
Lo Ming Chi, Charles
Deputy Chairman and Chief Executive Officer

Hong Kong, 31 March 2014

As at the date of this announcement, the Board comprises one Non-executive Director, namely Mr. Sue Ka Lok (Chairman); four Executive Directors, namely Mr. Lo Ming Chi, Charles (Deputy Chairman and Chief Executive Officer), Ms. Danita On (Chief Operating Officer), Ms. Chan Yuk Yee and Ms. Wang Jingyu; and three Independent Non-executive Directors, namely Mr. Kwok Ming Fai, Mr. Wong Kwok Tai and Ms. Leung Pik Har, Christine.

* *For identification purpose only*