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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

ANNUAL RESULTS

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 2010 together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	5	**435,766**	325,060
Cost of sales		**(365,741)**	(290,772)
Gross profit		**70,025**	34,288
Other income	5	**8,841**	6,803
Selling and distribution costs		**(12,407)**	(11,312)
Administrative expenses		**(55,248)**	(42,611)
Other operating expenses		**(13,046)**	(480)
Finance costs		**(3,851)**	(3,084)
Loss before income tax	6	**(5,686)**	(16,396)
Income tax expense	7	**(7,430)**	(1,381)
Loss for the year		**(13,116)**	(17,777)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**(14,791)**	(17,777)
Non-controlling interests		**1,675**	–
		(13,116)	(17,777)
Loss per share attributable to the equity holders of the Company			
Basic	8	**(HK1.21 cents)**	(HK3.74 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(13,116)**	(17,777)
Other comprehensive income		
Revaluation surplus on leasehold land and buildings	**2,358**	596
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	**(418)**	(320)
	1,940	276
Exchange differences on translation of foreign operations	**13,191**	287
Other comprehensive income for the year, net of tax	**15,131**	563
Total comprehensive income/(loss) for the year	**2,015**	(17,214)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**(230)**	(17,214)
Non-controlling interests	**2,245**	–
	2,015	(17,214)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**186,116**	158,037
Deposit for items of property, plant and equipment		**–**	1,646
Prepaid land premiums		**5,161**	9,541
Interests in associates		**–**	–
Intangible assets		**180,632**	450
Goodwill		**267,716**	–
Loan receivable		**35**	215
Total non-current assets		**639,660**	169,889
Current assets			
Inventories		**84,515**	36,761
Prepaid land premiums		**146**	266
Trade receivables	*9*	**86,814**	31,969
Prepayments, deposits and other receivables		**14,192**	5,773
Loan receivable		**180**	180
Derivative financial instruments		**1,729**	–
Pledged bank deposits		**14,243**	–
Cash and cash equivalents		**234,781**	62,207
		436,600	137,156
Non-current assets held for sale		**22,616**	4,400
Total current assets		**459,216**	141,556
Current liabilities			
Trade payables	*10*	**68,805**	33,801
Other payables and accruals		**105,931**	36,137
Derivative financial instruments		**223**	–
Interest-bearing bank loans		**60,783**	45,387
Tax payable		**6,825**	1,775
Total current liabilities		**242,567**	117,100
Net current assets		**216,649**	24,456
Total assets less current liabilities		**856,309**	194,345
Non-current liabilities			
Deferred tax liabilities		**47,661**	1,702
NET ASSETS		**808,648**	192,643
Equity attributable to equity holders of the Company			
Share capital		**153,641**	53,451
Reserves		**627,175**	139,192
		780,816	192,643
Non-controlling interests		**27,832**	–
TOTAL EQUITY		**808,648**	192,643

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.

The Group's principal activities were manufacturing and trading of hard and stuffed toys and manufacturing and sales of beverage products during the year. The beverage business was newly acquired in September 2010.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for leasehold land and buildings and derivative financial instruments, which have been measured at fair value, and non-current assets held for sale which are carried at the lower of carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The Group has accounted for the acquisition of the new beverage business in accordance with the revised standard of which details are set out in note 11.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group has reassessed the classification of leasehold land of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and concluded that the classification of such leases as operating leases continues to be appropriate.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[2 and 3]
Amendments to HKAS 32	Classification of Rights Issues[1]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 9 – Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors of the Company are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

4. SEGMENT REPORTING

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the directors of the Company are determined following the Group's major business lines.

The Group has identified the following reportable segments:

– the manufacturing and trading of hard and stuffed toys; and

– the manufacturing and sales of beverage products.

Each of these operating segments is managed separately as each of the business lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

Segment results exclude income tax, finance costs, fair value gain on derivatives financial instruments, amortisation of intangible assets, loss on early redemption of a promissory note, and other corporate income and expenses which are not directly attributable to the business activities of any operating segment.

Segment assets include all assets with the exception of corporate assets, including bank balances and cash, derivative financial instruments, goodwill and intangible assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, derivatives financial instruments and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. Segment liabilities comprise trade payables, accrued liabilities and other payables.

No asymmetrical allocations have been applied to reportable segments.

For management purposes, revenue, gross profit and operating results are the key indicators provided to the Group's chief operating decision maker to make decisions about resource allocation and assess performance.

(a) Business segments

	Manufacturing and trading of hard and stuffed toys		Manufacturing and sales of beverage products		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue						
Revenue from external customers	**377,998**	325,060	**57,768**	–	**435,766**	325,060
Reportable segment gross profit	**40,896**	34,288	**29,129**	–	**70,025**	34,288
Reportable segment profit/(loss)	**(2,030)**	(9,213)	**18,545**	–	**16,515**	(9,213)
Reportable segment assets	**278,877**	246,422	**117,773**	–	**396,650**	246,422
Reportable segment liabilities	**(105,330)**	(69,030)	**(68,411)**	–	**(173,741)**	(69,030)
Other segment information:						
Depreciation on property, plant and equipment	**10,590**	10,019	**1,547**	–	**12,137**	10,019
Amortisation of prepaid land premiums	**271**	271	**–**	–	**271**	271
(Gain)/Loss on disposal of property, plant and equipment	**(977)**	719	**–**	–	**(977)**	719
Gain on disposal of non-current assets held for sale	**(1,654)**	–	**–**	–	**(1,654)**	–
Provision for slow-moving, obsolete and defective inventories	**9,580**	21,520	**–**	–	**9,580**	21,520
Capital expenditure	**7,553**	3,786	**57,288**	–	**64,841**	3,786

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

	2010	2009
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment profit/(loss)	**16,515**	(9,213)
Interest income	**629**	47
Amortisation of intangible assets	**(3,705)**	–
Fair value gain on derivatives instruments – transactions not qualifying as hedges	**1,506**	–
Other corporate expenses	**(11,329)**	(4,146)
Finance costs	**(3,851)**	(3,084)
Loss on early redemption of a promissory note	**(5,451)**	–
Loss before income tax	**(5,686)**	(16,396)

	2010	2009
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**396,650**	246,422
Goodwill	**267,716**	–
Intangible assets	**180,632**	450
Derivative financial instruments	**1,729**	–
Other corporate assets	**252,149**	64,573
	1,098,876	311,445

	2010	2009
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**173,741**	69,030
Deferred tax liabilities	**47,661**	1,702
Derivative financial instruments	**223**	–
Other corporate liabilities	**68,603**	48,070
	290,228	118,802

(c) Geographical information

The following table provides an analysis of the Group's revenue from external customers and non-current assets.

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The United States of America	**318,089**	237,430	**–**	–
Japan	**29,004**	83,830	**–**	–
Hong Kong and Mainland China (domicile)	**88,673**	3,800	**639,660**	169,889
	435,766	325,060	**639,660**	169,889

The geographical information above is based on the location of customers. The geographical location of the non-current assets is based on the physical location of the asset.

(d) Information about major customers

	2010	2009
	HK$'000	*HK$'000*
The largest customer	**252,728**	150,008
Second largest customer	**48,083**	82,166
Third largest customer	**26,343***	72,611
Others	**108,612**	20,275
	435,766	325,060

* The third largest customer individually accounted for less than 10% of the total revenue this year.

The sales to the top three (2009: three) customers of the Group are attributable to the segment of manufacturing and trading of hard and stuffed toys. Others include sales to all other customers who individually accounted for less than 10% of total revenue.

5. REVENUE

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

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

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**435,766**	325,060
Other income		
Mould income	**554**	687
Bank interest income	**623**	37
Fair value gain on derivative financial instruments		
– transactions not qualifying as hedges	**1,506**	–
Interest income from loan receivable	**6**	10
Gain on disposal of non-current assets held for sale	**1,654**	–
Gain on disposal of property, plant and equipment	**977**	–
Reversal of allowance for impairment on trade receivables	**603**	–
Sundry income	**2,918**	6,069
	8,841	6,803

6. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	2010	2009
	HK$'000	*HK$'000*
Amortisation of intangible assets***	**3,705**	–
Amortisation of prepaid land premiums	**271**	271
Auditors' remuneration:		
Current year	**750**	820
Under/(Over) provision in prior years	**125**	(140)
	875	680
Cost of inventories sold	**290,926**	269,252
Depreciation on property, plant and equipment*	**12,334**	10,019
Employee benefit expense (excluding directors' remuneration)**:		
Wages and salaries	**148,934**	103,670
Other employee benefits	**746**	647
Pension schemes contributions	**4,493**	6,608
	154,173	110,925
Foreign exchange differences, net	**352**	1,200
Loss on early redemption of a promissory note ***	**5,451**	–
Impairment of intangible assets ***	**–**	150
(Gain)/Loss on disposal of property, plant and equipment, net ***	**(977)**	719
Gain on disposal of non-current assets held for sale	**(1,654)**	–
Operating lease charges in respect of land and buildings	**3,052**	849
Provision for slow-moving, obsolete and defective inventories, included in "Cost of sales" in the consolidated income statement	**9,580**	21,520

* Depreciation of HK$5,476,000 (2009: HK$6,048,000) is included in "Cost of inventories sold" above.

** Employee benefit expense of HK$116,923,000 (2009: HK$90,076,000) is also included in "Cost of inventories sold" above.

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

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Enterprise Income Tax ("EIT") in Mainland China has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2009: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**47**	37
Current – Mainland China	**6,913**	1,781
Deferred tax charge/(credit)	**470**	(437)
Income tax expense	**7,430**	1,381

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of HK$14,791,000 (2009: HK$17,777,000) and the weighted average number of ordinary shares of 1,217,954,801 (2009: 475,124,000) in issue during the year, as adjusted to reflect the shares issued during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

9. TRADE RECEIVABLES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**101,195**	46,953
Less: allowance for impairment	**(14,381)**	(14,984)
	86,814	31,969

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 14 to 60 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables is an amount due from an associate of HK$14,381,000 (before deducting the impairment loss of HK$14,381,000) (2009: HK$14,984,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

The aged analysis of the trade receivables as at 31 December 2010, based on the invoice date and net of allowance, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**57,226**	22,631
31 to 90 days	**28,834**	9,338
Over 90 days	**754**	–
	86,814	31,969

At each of the reporting date, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The impaired receivables are recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. As at 31 December 2010, there was an allowance of HK$14,381,000 (2009: HK$ HK$14,984,000) which was brought forward from prior year. No additional allowance but a reversal of HK$603,000 has been made during the year due to recovery of certain debts. The allowance for impairment of trade receivables above represents a full allowance made for a trade receivable of HK$14,381,000 (2009: HK$14,984,000). This trade receivable relates to an associate of the Group that was in financial difficulty and the receivable is not expected to be recovered. The Group does not hold any collateral or other credit enhancements over this balance.

10. TRADE PAYABLES

The aged analysis of the trade payables as at 31 December 2010, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current to 30 days	**24,839**	14,842
31 to 90 days	**21,980**	9,857
Over 90 days	**21,986**	9,102
	68,805	33,801

The trade payables are non-interest-bearing and normally offered with 30 to 90 days' credit terms.

11. BUSINESS ACQUIRED DURING THE YEAR

On 8 September 2010, the Group acquired 82.3% of the share capital of Tycoon Beverage Group Co. Ltd. whose principal activity is investment holding and its subsidiaries (collectively referred to as "Tycoon Beverage Group") are mainly engaged in the manufacturing and sales of beverage products. The main operating unit of Tycoon Beverage Group is Daheng (Tianjin) Foods Industry Company Limited*（大亨（天津）食品工業有限公司）, which was incorporated on 5 February 2010 and started the sales of beverage products in July 2010. The acquisition was made with the aim to diversify the Group's existing business portfolio and to broaden its source of income.

The assets and liabilities of the acquiree as at the date of acquisition were as follows:

	Acquiree's carrying amount	**Fair value**
	HK$'000	*HK$'000*
Property, plant and equipment	**57,529**	54,317
Intangible assets:		
Trademark	**–**	172,684
Customer relationships	**–**	7,439
Trade receivables	**9,247**	9,247
Cash and cash equivalents	**3,825**	3,825
Other payables and accruals	**(58,351)**	(58,351)
Trade payables	**(372)**	(372)
Deferred tax liabilities	**–**	(44,228)
	11,878	144,561
Less: Portion attributable to the 17.7% non-controlling interests in Tycoon Beverage Group acquired		(25,587)
Net assets acquired		118,974
Goodwill		262,123
Fair value of consideration transferred		381,097

	HK$'000
Satisfied by:	
Cash	300,000
Promissory note	81,097
	381,097

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Tycoon Beverage Group is as follows:

	HK$'000
Purchase consideration settled in cash	300,000
Cash and cash equivalents acquired	(3,825)
Net cash outflow on acquisition	296,175

The Group has elected to measure the non-controlling interests in Tycoon Beverage Group at the proportionate share of the identifiable net assets.

The goodwill is attributable to the significant synergies expected to arise after the Group's acquisition of this new beverage business. The goodwill is not expected to be deductible for tax purpose.

None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Tycoon Beverage Group has contributed revenue of HK$57,768,000 and profit after tax of HK$9,461,000 to Group's revenue and profit or loss respectively. If the acquisition had occurred on 1 January 2010, the Group's revenue would have been HK$453,455,000 and loss after income tax would have been HK$8,928,000 for the year ended 31 December 2010. This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

The acquisition-related costs of HK$3,890,000 have been expensed and are included in other operating expenses.

The amount of approximately HK$81,097,000 represents the fair value of the promissory note (with a face value of HK$90,000,000) as at 8 September 2010 assuming an effective interest rate of 5.346% per annum. After the completion date, the Group had early redeemed the promissory note with a discount of HK$3,000,000 on the face value resulting in a loss on the derecognition of the promissory note of HK$5,451,000 which is included in other operating expenses. Imputed interest incurred prior to the redemption of HK$452,000 was included in finance costs for the year.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2010 (2009: nil).

BUSINESS REVIEW

The Board is pleased to report that the Group's results for the year have demonstrated the management's continuous efforts in developing the business of the Group. The Group's revenue for the year ended 31 December 2010 amounted to HK$435,766,000, representing a 34% growth from last year (2009: HK$325,060,000) whereas gross profit of the Group was HK$70,025,000, which shows a significant increase of 104% when compared with the previous year (2009: HK$34,288,000). Most of the growth in both revenue and gross profit were attributed to the recent diversification of the Group's business into manufacturing and sales of beverage products.

During the year, the toys division has entered into business with several new customers, including two that are among the world's top 10 by sales volume, and resulting in a moderate increase of the division's revenue by 16% to HK$377,998,000 (2009: HK$325,060,000). Despite the increase in material costs, the rise of mandatory minimum wage in Guangdong Province in May 2010 and the continued appreciation in Renminbi, the gross profit of the division grew by 19% to HK$40,896,000 (2009: HK$34,288,000), which was contributed by increased sales volume, enhanced operation efficiency and improved price mark-ups. The operating loss of the toys division was HK$2,030,000 (2009: HK$9,213,000), reduced significantly by 78% from last year.

In the second half of 2010, the Group made a big step leap in its business development through successfully acquired the 82.3% equity interests in Tycoon Beverage Group Co. Ltd. whose subsidiaries (collectively referred to as "Tycoon Beverage Group") are principally engaged in the manufacturing and sales of beverages, and that currently the major product line being the classic hawthorn fruit tea. The acquisition of Tycoon Beverage Group was completed in September 2010 which successfully led to the diversification of the Group's business and broadening its income base. As at the date of acquisition, the fair value of major identifiable assets acquired, being the production machineries and equipment, and intangible assets (comprising the Daheng trademark and customer relationships) was amounted to HK$54,317,000 and HK$180,123,000 respectively. The goodwill arising on acquisition of the Tycoon Beverage Group was HK$262,123,000. Since the acquisition date, the newly acquired business contributed revenue, gross profit and operating profit of HK$57,768,000, HK$29,129,000 and HK$18,545,000 respectively to the Group's results.

For the year ended 31 December 2010, the Group recorded loss attributable to owners of the Company of HK$14,791,000 (2009: HK$17,777,000) and basic loss per share of HK1.21 cents (2009: HK3.74 cents). The loss was mainly attributable to the operating loss of the toys division, the other operating expenses which comprised of amortization of intangible assets (trademark and customer relationships) of HK$3,705,000, non-cash loss on early redemption of a promissory note of HK$5,451,000 and acquisition-related costs of the beverage business of HK$3,890,000. If the effect of above mentioned one-off other operating expenses of loss of early redemption of a promissory note and acquisition-related costs of the beverage business totaling HK$9,341,000 was excluded, the Group would have, for reference purposes, recorded a loss attributable to owners of the Group of HK$5,450,000, showing a significantly improved results from last year.

The Group reported total other comprehensive income of HK$15,131,000 including an exchange differences on translation of foreign operations of HK$13,191,000. As a result, the Group's total comprehensive income for the year amounted to HK$2,015,000, compared to a total comprehensive loss of HK$17,214,000 for the previous year.

PROSPECTS

It is expected that the operating environment of the toys manufacturing industry in 2011 will continue to be challenging in light of surging raw material prices, labor shortages in the Pearl Delta Region, another mandatory minimum wage increase by nearly 20% in Guangdong Province which came into effect in March 2011, and the continued appreciation of the Renminbi. The Group will continue to invest in equipment and staff training to boost productivity to counter such increases in production costs. To control costs and improve efficiency, the Group has also streamlined its operations of toys division in early 2011. The toys division will continue to seek to maximize operating margin through controlling costs.

The Board is optimistic about the performance of the new beverage division in 2011. It is anticipated that the overall consumer market in China will continue to grow supported by the prosperous economy and rising disposable income. Growing income in both urban and rural cities will directly drive the prosperity of the beverage market. The Group will continue to focus on the development of new beverage products to enhance and diversify the product segmentation to meet customers' expectation. Further, the Group will employ flexible and effective marketing strategies to maximize sales efforts aiming to enlarge market share and to enhance the Group's Daheng brand image. The Group also has plans to expand its sales and distribution network to cover major cities in China. With response to continued rise in prices of beverage raw materials, the Group has plans to enhance cost controls, refine management process and optimize product mix to achieve a cost effective operating structure.

Looking ahead, in light of continuous growth of the China economy and its mass consumption market, the management is optimistic that the Group's beverage business will continue to perform well and contribute positively to the Group's results in the coming years.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met all the code provisions set out in the "Code on Corporate Governance Practices" contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2010 had been reviewed by the Audit Committee of the Company before they were 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 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

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

Hong Kong, 24 March 2011

As at the date of this announcement, the Board comprises one Non-executive Director, namely Mr. Sue Ka Lok (Chairman); six Executive Directors, namely Mr. Lo Ming Chi, Charles (Chief Executive Officer), Mr. Song Tai San (Chief Operating Officer), Ms. Chan Yuk Yee, Ms. Wang Jingyu, Mr. Shi Zhiqiang and Ms. Danita On; 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*