* For identification purpose only

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

Annual Report 2010

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Sue Ka Lok *(Chairman)*

Executive Directors

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
Ms. Danita On

Independent Non-executive Directors

Mr. Kwok Ming Fai
Mr. Wong Kwok Tai
Ms. Leung Pik Har, Christine

AUDIT COMMITTEE

Mr. Wong Kwok Tai *(Chairman)*
Mr. Kwok Ming Fai
Ms. Leung Pik Har, Christine

REMUNERATION COMMITTEE

Mr. Lo Ming Chi, Charles *(Chairman)*
Mr. Kwok Ming Fai
Mr. Wong Kwok Tai
Ms. Leung Pik Har, Christine

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 209)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor
Wing Wong Commercial Building
Nos. 557 and 559 Nathan Road
Kowloon
Hong Kong

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Guangdong Development Bank Zhongshan Branch

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.chinatycoon.com.hk

Chairman's Statement

BUSINESS REVIEW

I am pleased to report that the results of China Tycoon Beverage Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") 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),

Chairman's Statement

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 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 of 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 amortisation 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

PROSPECTS (Continued)

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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, investors, bankers, business associates and customers for their continuous support to the Group, and to my fellow directors and all staff members for their hard work and contributions for the past year.

Sue Ka Lok
Chairman

Hong Kong, 24 March 2011

Management Discussion and Analysis

OPERATIONS REVIEW

The Group's principal activities are manufacturing and trading of hard and stuffed toys and manufacturing and sales of beverage products.

For the year ended 31 December 2010, the toys division continued to improve on its manufacturing efficiency and stayed at the forefront of the contract toy manufacturing industry as a trusted partner that can deliver quality, services and value. During the year ended 31 December 2010, notwithstanding of the lower demand from a major customer in Japan, the Group entered into business with several new customers, including two that are among the world's top 10 by sales. Accordingly, toys division recorded

OPERATIONS REVIEW (Continued)

a moderate increase of revenue by 16% to HK$377,998,000 (2009: HK$325,060,000). Moreover, despite the increase in material costs, the rise in mandatory minimum wage in Guangdong Province in May 2010, and the continued appreciation in Renminbi, the toys division managed to maintain a gross profit of HK$40,896,000 for the year ended 31 December 2010 (2009: HK$34,288,000), which was mainly contributed by improved production efficiency resulting from tightened control on overheads, increased sales volume and higher profit margin of sales orders received resulting from active negotiations with customers. As a result, the operating loss of the toys division was HK$2,030,000 (2009: HK$9,213,000), reduced significantly by 78% from last year.

Despite the loss incurred by the toys division, the Group's financial position remains sound and that the Group has sufficient financial resources to meet its ongoing operational needs. In addition, the Group considers that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio so as to broaden its source of income. In view of (i) the increase in urban population and disposable income in the Mainland China; (ii) rapid development of chain stores in the Mainland China which made the juice products more affordable and accessible; and (iii) that the Group is optimistic about the outlook of the beverage industry in the Mainland China, accordingly, the Group has diversified into the beverage business through acquisition of the 82.3% equity interests in Tycoon Beverage Group in September 2010.

Since the acquisition date, the beverage division has performed well and 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 2010 results. Daheng's classic hawthorn fruit tea is currently the Group's major products in which the key raw material is hawthorn which is all natural and procured from the Mainland China, so the raw materials cost to the Group is generally lower than to other industry players. As a result, the Group's beverage business recorded a notable gross profit margin of 50% for the year. Tycoon Beverage Group acquired six production lines during the current year with an annual capacity of producing approximately 316,000 tons of juice products. To further strengthen the planning and execution of marketing strategies of the beverage division and its distribution network, the Group has appointed two executive directors with extensive sales and marketing experience in Mainland China to the Board of Directors of the Company during the year. As of 31 December 2010, the beverage business segment had approximately 160 distributors, with strong market coverage in the northern part of Mainland China. The Group is planning to launch new juice products in the coming period.

Management Discussion and Analysis

OPERATIONS REVIEW (Continued)

For the year ended 31 December 2010, the Group's other income included fair value gain on derivative financial instruments of HK$1,506,000 being net fair value gains arising from various currency option and interest rate swaps contracts, and gain on disposal of non-current assets held for sale located at Hong Kong of HK$1,654,000. Besides, for the year ended 31 December 2010, the Group's other operating expenses comprised of non-cash items, amortisation of intangible assets (trademark and customer relationships) of HK$3,705,000 and loss on early redemption of a promissory note (part of the consideration paid for the beverage business) of HK$5,451,000. Acquisition-related costs of beverage business of HK$3,890,000 were also included in other operating expenses in current year. By excluding those one-off expenses (loss on early redemption of a promissory note and beverage business acquisition-related costs) totaling HK$9,341,000, the Group would have, for reference purposes, recorded a loss attributable to owners of the Group of HK$5,450,000.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 December 2010, the Group had current assets of HK$459,216,000 (2009: HK$141,556,000) comprising cash and cash equivalents of HK$234,781,000 (2009: HK$62,207,000). The Group's current ratio, as current assets of HK$459,216,000 (2009: HK$141,556,000) divided by current liabilities of HK$242,567,000 (2009: HK$117,100,000), was at a healthy ratio of 1.89 (2009: 1.21). The Group's bank loans as at 31 December 2010, mainly in Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States dollars ("USD"), and maturing within one year amounted to HK$60,783,000 (2009: HK$45,387,000). As at 31 December 2010, the Group had bank loans at fixed interest rate of HK$46,361,000 (2009: HK$43,077,000) and at floating interest rate of HK$14,422,000 (2009: HK$2,310,000).

The Company issued 1,001,894,729 new shares during the year as a result of placing of shares and conversion of convertible bonds issued. At year end, equity attributable to equity holders of the Company was HK$780,816,000, representing a significant increase of 305%, compared with one year ago (2009: HK$192,643,000).

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 the management of the Group's interest rate and currency exposures.

The Group's gearing ratio is determined as its net debt divided by total capital plus net debt where net debt includes interest-bearing bank loans, trade payables and other payables and accruals less pledged bank deposits and cash and cash equivalents, and capital represents the total equity of the Group. The Group's policy is to maintain its gearing ratio below 75% to ensure a healthy financial position. The gearing ratio of the Group as at 31 December 2010 was not applicable as the Group was in net cash position calculated in accordance with the basis stated above (2009: 22%).

FINANCIAL REVIEW (Continued)

Liquidity, Financial Resources and Capital Structure (Continued)

The Group maintained a very strong financial position with ample surplus cash denominated principally in HKD, RMB and USD, and undrawn committed facilities to facilitate the Group's trading activities. With the amount of liquid assets on hand as well as credit facilities available, the management is confident that the Group will have sufficient financial resources to meet its ongoing operational capital requirements.

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in HKD, RMB and USD. The Group maintained a prudent position in its foreign currency risk management. To a large extent, foreign exchange risks were minimized by matching the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. As discussed previously, the Group entered various financial derivative instruments in order to mitigate foreign exchange rate exposure. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant.

CHARGE ON ASSETS

At 31 December 2010, the Group's certain leasehold land and buildings and non-current assets held for sale in Mainland China and Hong Kong (including prepaid land premiums) with aggregate carrying amount of approximately HK$101,307,000 (2009: HK$122,107,000) and HK$nil (2009: HK$11,010,000), respectively, were pledged to secure general banking facilities granted to the Group.

As at 31 December 2010, bank deposits denominated in RMB of HK$14,243,000 (2009: HK$nil) were pledged to secure the Group's interest-bearing bank loans.

MAJOR ACQUISITION

As discussed above, the Group has diversified into beverage business through acquisition of the 82.3% equity interests in Tycoon Beverage Group in September 2010. For details, please refer to circular of the Company dated 5 August 2010 and note 39 to the financial statements.

CONTINGENT LIABILITIES

At 31 December 2010, the Group had no significant contingent liability.

CAPITAL COMMITMENT

At 31 December 2010, the Group had no significant capital commitment.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group had a total of approximately 4,920 (2009: 4,300) employees in Hong Kong and Mainland China. Remuneration packages for employees and directors are structured by reference to market terms and individual performance and experience. Benefits plans maintained by the Group include provident fund scheme, pension scheme, medical insurance, share option scheme and discretionary bonuses. The Group also provides subsidies to staff for external training in order to enhance the Group's competitiveness.

Directors' Profile

NON-EXECUTIVE DIRECTOR

Mr. Sue Ka Lok, *Chairman*
Aged 45, joined the Company as an Executive Director in October 2009 and was re-designated as Non-executive Director and appointed as the Chairman of the Company in November 2009. Mr. Sue is also a director of several subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from the University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow member of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Securities Institute. Mr. Sue has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is also an executive director and the chief executive officer of BEP International Holdings Limited (stock code: 2326) and Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141), both are listed companies in Hong Kong.

EXECUTIVE DIRECTORS

Mr. Lo Ming Chi, Charles, *J.P., Chief Executive Officer and Chairman of the Remuneration Committee*
Aged 61, joined the Company as an Executive Director in October 2009 and was appointed as the Chief Executive Officer of the Company in November 2009. Mr. Lo is also a director of several subsidiaries of the Company. Mr. Lo is a certified practising accountant of the CPA Australia and is a fellow of the Financial Services Institute of Australasia. Mr. Lo has extensive experience in financial and investment services in Australia, Hong Kong and other Asian countries. Mr. Lo is also an executive director, the chairman and the chief executive officer of New Island Printing Holdings Limited (stock code: 377) and an independent non-executive director of CASH Financial Services Group Limited (stock code: 510), New Environmental Energy Holdings Limited (stock code: 3989) and Tak Sing Alliance Holdings Limited (stock code: 126), all being listed companies in Hong Kong.

Mr. Song Tai San, *Chief Operating Officer*
Aged 61, joined the Company as an Executive Director and the Chief Operating Officer in November 2010. Mr. Song graduated from the R.O.C Military Academy in Taiwan. Mr. Song has extensive experience in the beverage industry in Taiwan and the People's Republic of China (the "PRC"). Mr. Song has held various senior management positions in leading international beverage companies in Taiwan and the PRC including Beijing Coca-Cola Beverage Co., Ltd. Prior to joining the Group, Mr. Song was the senior consultant of CocaCola Greater China.

EXECUTIVE DIRECTORS (Continued)

Ms. Chan Yuk Yee

Aged 43, joined the Company as an Executive Director in October 2009 and was appointed as the Secretary of the Company in November 2009. Ms. Chan is also a director of several subsidiaries of the Company. Ms. Chan holds a Master of Business Law degree from Monash University in Australia and is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has over 10 years of experience in corporate administration and company secretarial practice. Ms. Chan is also an executive director of New Island Printing Holdings Limited (stock code: 377) and the company secretary of Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141), both are listed companies in Hong Kong.

Ms. Wang Jingyu

Aged 30, joined the Company as an Executive Director in November 2009. Ms. Wang graduated from Southwestern University of Finance and Economics in the PRC with a bachelor's degree in economics, specialized in international finance. Ms. Wang has over 8 years of experience in financial management and investments in the PRC. Ms. Wang is a niece of Mr. Suen Cho Hung, Paul, the controlling shareholder of the Company.

Mr. Shi Zhiqiang

Aged 33, joined the Company as an Executive Director in September 2010. Mr. Shi holds a Bachelor of Engineering degree in Applied Chemistry (Fine Chemicals) from Shanghai Jiao Tong University. Mr. Shi has extensive experience in business development, marketing and sales channel management and has held senior management positions in leading multinational corporations including Pepsico (China) Limited and Johnson & Johnson China Ltd. Mr. Shi is also the chief executive officer of Loyal Kingdom Holdings Limited ("Loyal Kingdom"), a subsidiary of the Company, since September 2010. In addition to his role as Executive Director of the Company, Mr. Shi is responsible for managing the operations of Loyal Kingdom and its subsidiaries (collectively referred to as the "Daheng Group") which are principally engaged in manufacturing and sales of beverage products under the brand "大亨" (Daheng) in the PRC.

Ms. Danita On

Aged 34, joined the Company as an Executive Director in September 2010. Ms. On is also a director of several subsidiaries of the Company and the chief operating officer of Loyal Kingdom. In addition to her role as Executive Director of the Company, Ms. On is responsible for overseeing the daily operations of the Daheng Group. Ms. On holds a Bachelor of Business Administration degree with First Class Honours from The Chinese University of Hong Kong and a Master of Science in Finance degree from London Business School. Ms. On is an associate member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants and is a Chartered Financial Analyst. Ms. On has extensive experience in corporate management and investment and has held senior positions in international investment groups and international accounting firm in Hong Kong and the PRC.

Directors' Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Ming Fai, *member of the Audit Committee and the Remuneration Committee*
Aged 46, joined the Company as an Independent Non-executive Director in October 2009. Mr. Kwok has extensive experience in banking, finance and accounting and held executive positions at several international financial institutions, accounting firm and listed companies. Mr. Kwok obtained his Bachelor Degree in Accounting & Economics from the University of Sheffield in the United Kingdom and a Master Degree in Business Administration from the University of Adelaide in Australia. He is a certified practising accountant of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is an executive director of Zhongda International Holdings Limited (stock code: 909) and an independent non-executive director of China Yunnan Tin Minerals Group Company Limited (stock code: 263) and Incutech Investments Limited (stock code: 356), all being listed companies in Hong Kong.

Mr. Wong Kwok Tai, *Chairman of the Audit Committee and member of the Remuneration Committee*
Aged 72, joined the Company as an Independent Non-executive Director in November 2009. Mr. Wong graduated from the Deakin University in Geelong, Australia and holds a Diploma of Commerce. He is a Practising Certified Public Accountant and a fellow member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Wong is the director of W. Wong CPA Limited and has more than 45 years of financial experience. Currently, he is also an independent non-executive director of China Power New Energy Development Company Limited (stock code: 735), New Century Group Hong Kong Limited (stock code: 234), Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141) and Takson Holdings Limited (stock code: 918), all being listed companies in Hong Kong.

Ms. Leung Pik Har, Christine, *member of the Audit Committee and the Remuneration Committee*
Aged 41, joined the Company as an Independent Non-executive Director in November 2009. Ms. Leung graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration. Ms. Leung has over 15 years of experience in banking and financial services industries and held executive positions at several international financial institutions including Citibank, Bank of America, Industrial and Commercial Bank of China (Asia) Limited and Fubon Bank (Hong Kong) Limited.

Report of the Directors

The Board of Directors (the "Board") of the Company present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2010.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 26 January 2011 and the subsequent approval of the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong, the name of the Company has been changed from "SEWCO INTERNATIONAL HOLDINGS LIMITED" to "CHINA TYCOON BEVERAGE HOLDINGS LIMITED" and "中國大亨飲品控股有限公司" has been adopted as the Chinese name of the Company for identification purpose only.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the manufacturing and trading of hard and stuffed toys and the manufacturing and sales of beverage products.

RESULTS

The Group's loss for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 32 to 109.

FINAL DIVIDEND

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 110. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Report of the Directors

SHARE CAPITAL, CONVERTIBLE BONDS AND SHARE OPTIONS

Details of movements in the Company's share capital and convertible bonds during the year are set out in notes 33 and 30 to the financial statements respectively and there was no movement in share options during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws ("Bye-laws") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF 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.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$74,602,000. In addition, the Company's share premium account, in the amount of HK$542,803,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 84% of the total sales for the year and sales to the largest customer included therein accounted for 58%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year 2010 and up to the date of this report were:

Non-executive Director:

Mr. Sue Ka Lok

Executive Directors:

Mr. Lo Ming Chi, Charles	
Mr. Song Tai San	(appointed on 23 November 2010)
Ms. Chan Yuk Yee	
Ms. Wang Jingyu	
Mr. Shi Zhiqiang	(appointed on 13 September 2010)
Ms. Danita On	(appointed on 13 September 2010)
Mr. Wei Heli	(appointed on 3 August 2010 and resigned on 19 August 2010)

Independent Non-executive Directors:

Mr. Kwok Ming Fai
Mr. Wong Kwok Tai
Ms. Leung Pik Har, Christine

In accordance with bye-law 87 of the Bye-laws, Ms. Wang Jingyu, Ms. Danita On, Mr. Wong Kwok Tai and Ms. Leung Pik Har, Christine will retire by rotation at the forthcoming annual general meeting ("AGM") and, being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' PROFILE

Biographical details of the directors of the Company are set out on pages 12 to 14 of the annual report.

Report of the Directors

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 10 to the financial statements.

UPDATE ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Lo Ming Chi, Charles, an Executive Director and the Chief Executive Officer of the Company, was appointed as an executive director, the chairman and the chief executive officer of New Island Printing Holdings Limited (stock code: 377) ("New Island Printing"), a listed company in Hong Kong, on 30 September 2010.

2. Ms. Chan Yuk Yee, an Executive Director of the Company, was appointed as an executive director of New Island Printing on 30 September 2010.

3. Subsequent to the year end, the remuneration for Mr. Lo Ming Chi, Charles has been increased to HK$63,000 per month under his service contract with effect from 1 March 2011. The revised remuneration has been approved by the Remuneration Committee of the Company and the Board.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, none of the directors or the chief executive of the Company had, under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), nor were they taken to or deemed to have under such provisions of the SFO, an interest or a short position in the shares or underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interest which was required to be entered into the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time employee or executive of the Company or any of its subsidiaries, including any executive and non-executive directors, any discretionary object of a grantee which is a discretionary trust, and any shareholder of any member of the Group or any holder of any securities issued by any member of the Group. The Scheme was adopted on 5 February 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. No share options have been granted by the Company under the Scheme up to the date of this report.

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or to their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 29 September 2010, the Company and Right Perfect Limited ("Right Perfect"), the controlling shareholder of the Company, entered into a share subscription agreement (the "Share Subscription Agreement") pursuant to which the Company conditionally agreed to issue and Right Perfect conditionally agreed to subscribe for a maximum of 480,000,000 subscription shares at HK$1.05 per subscription share. On the even date, the Company and Right Perfect entered into a convertible bond subscription agreement (the "CB Subscription Agreement") pursuant to which the Company conditionally agreed to issue and Right Perfect conditionally agreed to subscribe for a maximum principal amount of the subscription bonds of HK$162,000,000. Details of the Share Subscription Agreement and the CB Subscription Agreement were contained in the announcement of the Company dated 29 September 2010. The Share Subscription Agreement and the CB Subscription Agreement were subsequently terminated by termination agreements on 8 October 2010. Details of which, please refer to the announcement of the Company dated 8 October 2010.

Save as disclosed above, there were no contracts of significance entered into between the Company or any of its subsidiaries and any controlling shareholder or any of its subsidiaries during the year.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2010, the following parties had interests of 5% or more in the issued share capital of the Company according to the register of interests kept by the Company pursuant to section 336 of the SFO:

Long positions in the ordinary shares of the Company

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Right Perfect Limited	Beneficial owner	615,791,472	40.08%
Edmond de Rothschild Asset Management	Investment manager	130,000,000	8.46%

Note: Right Perfect Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly owned subsidiary of Smart Legend Holdings Limited, which in turn is wholly owned by Mr. Suen Cho Hung, Paul.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2010 as required pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the usual course of business are set out in note 40 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included provident fund scheme, insurance and medical cover, discretionary bonuses as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their respective responsibilities and contribution to the Company and by reference to market benchmark.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Board, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 43 to the financial statements.

AUDITOR

Messrs. Ernst & Young resigned as auditor of the Company with effect from 16 December 2010 and BDO Limited were appointed as auditor of the Company on 16 December 2010 to fill the casual vacancy so arising. There were no other changes of auditor of the Company in the past three years.

The consolidated financial statements of the Company for the year ended 31 December 2010 have been audited by BDO Limited.

BDO Limited will retire at the forthcoming AGM and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Lo Ming Chi, Charles
Chief Executive Officer

Hong Kong, 24 March 2011

Corporate Governance Report

The Board of Directors of the Company (the "Board") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

Good corporate governance has always been recognized as vital to sustain development of the Group and to safeguard the interests of shareholders. The Group is committed to achieving high standard of corporate governance to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Throughout the year under review, the Company has adopted the principles and complied with all the code provisions as set out in the CG Code. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

THE BOARD

As at the date of this report, the Board comprises ten directors, including 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.

The overall management and control of the Group's business are vested in the Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Group's financial performance on behalf of shareholders of the Company.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

THE BOARD (Continued)

The day-to-day management, administration and operations of the Group are delegated to the Executive Directors and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain Board approval.

The biographical details of the directors as well as the relationships among them, if any, are set out under the section headed "Directors' Profile" in this annual report.

The Company has received written annual confirmations from all of its Independent Non-executive Directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

During the year ended 31 December 2010, four regular board meetings were held and the attendance of each director is set out as follows:

Name of Director		Attendance/Number of regular board meetings
Non-executive Director		
Mr. Sue Ka Lok *(Chairman)*		4/4
Executive Directors		
Mr. Lo Ming Chi, Charles *(Chief Executive Officer)*		4/4
Mr. Song Tai San *(Chief Operating Officer)*	(appointed on 23 November 2010)	1/4
Ms. Chan Yuk Yee		4/4
Ms. Wang Jingyu		4/4
Mr. Shi Zhiqiang	(appointed on 13 September 2010)	1/4
Ms. Danita On	(appointed on 13 September 2010)	1/4
Mr. Wei Heli	(appointed on 3 August 2010 and resigned on 19 August 2010)	0/4
Independent Non-executive Directors		
Mr. Kwok Ming Fai		4/4
Mr. Wong Kwok Tai		4/4
Ms. Leung Pik Har, Christine		4/4

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business. The Company supports that there should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual. Currently, Mr. Sue Ka Lok, the Chairman of the Board, takes up the responsibility of the management of the Board whereas Mr. Lo Ming Chi, Charles, the Chief Executive Officer of the Company, is responsible for the day-to-day management of the Group's business. The respective responsibilities between the Chairman of the Board and the Chief Executive Officer have been clearly established and set out in writing.

NON-EXECUTIVE DIRECTORS

The Non-executive Director and each of the Independent Non-executive Directors of the Company is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has not set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the succession planning of directors and assessing the independence of Independent Non-executive Directors. The Company has adopted "Directors Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

Besides, the procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. In accordance with the Bye-laws, all existing directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meeting of the Company. Any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting of the Company held after his/her appointment.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Company's Directors and they have confirmed their compliance with the Own Code and the Model Code throughout the year ended 31 December 2010.

DIRECTORS' SECURITIES TRANSACTIONS (Continued)

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

BOARD COMMITTEES

(1) Remuneration Committee

The Remuneration Committee was established with terms of reference as set out in the CG Code. The Remuneration Committee comprises a total of four members, being one Executive Director, namely Mr. Lo Ming Chi, Charles, and three Independent Non-executive Directors, namely Mr. Kwok Ming Fai, Mr. Wong Kwok Tai and Ms. Leung Pik Har, Christine. Accordingly, a majority of the members are Independent Non-executive Directors. The Chairman of the Remuneration Committee is Mr. Lo Ming Chi, Charles.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 December 2010, four meetings of the Remuneration Committee were held to determine and review the remuneration packages for directors. The attendance of each member is set out as follows:

Members	Attendance/Number of Remuneration Committee Meetings
Mr. Lo Ming Chi, Charles *(Chairman of the Remuneration Committee)*	4/4
Mr. Kwok Ming Fai	4/4
Mr. Wong Kwok Tai	4/4
Ms. Leung Pik Har, Christine	4/4

Corporate Governance Report

BOARD COMMITTEES (Continued)

(2) Audit Committee

The Audit Committee was established with terms of reference as set out in the CG Code. The Audit Committee comprises a total of three members, being the three Independent Non-executive Directors, namely Mr. Wong Kwok Tai, Mr. Kwok Ming Fai and Ms. Leung Pik Har, Christine. The Chairman of the Audit Committee is Mr. Wong Kwok Tai.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendations to the Board; and reviewing the Group's financial reporting system, internal control system and risk management system.

During the year ended 31 December 2010, three meetings of the Audit Committee were held and the attendance of each member is set out as follows:

Members	**Attendance/Number of Audit Committee Meetings**
Mr. Wong Kwok Tai *(Chairman of the Audit Committee)*	3/3
Mr. Kwok Ming Fai	3/3
Ms. Leung Pik Har, Christine	3/3

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited financial statements of the Group for the year ended 31 December 2009 with recommendations to the Board for approval;

2. reviewed and discussed the unaudited interim financial statements of the Group for the six months ended 30 June 2010 with recommendations to the Board for approval;

3. reviewed and discussed with the management and auditors of the Company the accounting policies and practices which may affect the Group and financial reporting matters; and

4. reviewed and discussed the appointment of the external auditor and make recommendations to the Board for approval and approved the remuneration and terms of engagement of the external auditor.

BOARD COMMITTEES (Continued)

(3) Executive Committee

The Executive Committee comprises all Executive Directors. As at the date of this report, the members of the Executive Committee comprises Mr. Lo Ming Chi, Charles, Mr. Song Tai San, Ms. Chan Yuk Yee, Ms. Wang Jingyu, Mr. Shi Zhiqiang and Ms. Danita On and the Chairman of the Executive Committee is Mr. Lo Ming Chi, Charles. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system of the Group to safeguard the interests of the Company's shareholders and assets and, with the support of the Audit Committee, for reviewing the effectiveness of such system on an annual basis.

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2010. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

Corporate Governance Report

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2010 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Company's external auditor in respect of audit services and non-audit services for the year ended 31 December 2010 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable
	HK$
Audit services:	
Underprovision of audit fee for the year ended 31 December 2009	125,000
Audit fee for the year ended 31 December 2010	750,000
Non-audit services:	
Taxation service provided in the year 2010	510,000
Total:	1,385,000

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.chinatycoon.com.hk" as a communication platform with shareholders and investors, where information and updates on the Group's financial information and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee and the Remuneration Committee are normally present at the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, the rights of shareholders for proposing resolutions are contained in the Bye-laws.

All resolutions proposed at shareholders' meetings of listed issuers must be voted by poll. The poll voting results shall be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinatycoon.com.hk) after a shareholders' meeting.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF CHINA TYCOON BEVERAGE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Tycoon Beverage Holdings Limited (the "Company", formerly known as Sewco International Holdings Limited), and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 109, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, 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 2010 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 disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Tsui Ka Che, Norman
Practising Certificate Number P05057

Hong Kong, 24 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	435,766	325,060
Cost of sales		(365,741)	(290,772)
Gross profit		70,025	34,288
Other income	7	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	9	(3,851)	(3,084)
Loss before income tax	8	(5,686)	(16,396)
Income tax expense	12	(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	14	(HK1.21 cents)	(HK3.74 cents)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Loss for the year		**(13,116)**	(17,777)
Other comprehensive income			
Revaluation surplus on leasehold land and buildings	15	**2,358**	596
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	32	**(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	15	186,116	158,037
Deposit for items of property, plant and equipment		–	1,646
Prepaid land premiums	16	5,161	9,541
Interests in associates	18	–	–
Intangible assets	19	180,632	450
Goodwill	20	267,716	–
Loan receivable	21	35	215
Total non-current assets		639,660	169,889
Current assets			
Inventories	22	84,515	36,761
Prepaid land premiums	16	146	266
Trade receivables	24	86,814	31,969
Prepayments, deposits and other receivables	25	14,192	5,773
Loan receivable	21	180	180
Derivative financial instruments	26	1,729	–
Pledged bank deposits	27	14,243	–
Cash and cash equivalents	27	234,781	62,207
		436,600	137,156
Non-current assets held for sale	23	22,616	4,400
Total current assets		459,216	141,556
Current liabilities			
Trade payables	28	68,805	33,801
Other payables and accruals	29	105,931	36,137
Derivative financial instruments	26	223	–
Interest-bearing bank loans	31	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	32	47,661	1,702
NET ASSETS		808,648	192,643

	Notes	2010 HK$'000	2009 HK$'000
Equity attributable to equity holders of the Company			
Share capital	33	153,641	53,451
Reserves	35(a)	627,175	139,192
		780,816	192,643
Non-controlling interests		27,832	–
TOTAL EQUITY		808,648	192,643

On behalf of the Board

Sue Ka Lok
Director

Lo Ming Chi, Charles
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Issued capital	Share premium account*	Asset revaluation reserve*	Statutory reserve fund*	Exchange fluctuation reserve*	Retained profits/ (Accumulated losses)*	Equity component of convertible bonds	Equity attributable to the equity holders of the Company	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	44,543	20,912	48,765	5,664	24,453	22,934	–	167,271	–	167,271
Loss for the year	–	–	–	–	–	(17,777)	–	(17,777)	–	(17,777)
Other comprehensive income	–	–	276	–	287	–	–	563	–	563
Total comprehensive income for the year	–	–	276	–	287	(17,777)	–	(17,214)	–	(17,214)
Issue of shares	8,908	34,743	–	–	–	–	–	43,651	–	43,651
Share issue expenses	–	(1,065)	–	–	–	–	–	(1,065)	–	(1,065)
Revaluation reserve realised upon disposal	–	–	(2,401)	–	–	2,401	–	–	–	–
Appropriation to statutory reserve fund	–	–	–	744	–	(744)	–	–	–	–
At 31 December 2009 and 1 January 2010	53,451	54,590	46,640	6,408	24,740	6,814	–	192,643	–	192,643
Loss for the year	–	–	–	–	–	(14,791)	–	(14,791)	1,675	(13,116)
Other comprehensive income	–	–	1,940	–	12,621	–	–	14,561	570	15,131
Total comprehensive income for the year	–	–	1,940	–	12,621	(14,791)	–	(230)	2,245	2,015
Issue of shares (notes 33 and 35)	34,400	309,600	–	–	–	–	–	344,000	–	344,000
Share issue expenses (note 35)	–	(3,579)	–	–	–	–	–	(3,579)	–	(3,579)
Principal amount of convertible bonds issued (note 30)	–	–	–	–	–	–	10,656	10,656	–	10,656
Direct transaction costs attributable (note 30)	–	–	–	–	–	–	(111)	(111)	–	(111)
Conversion of convertible bonds (notes 33 and 35)	65,790	182,192	–	–	–	–	(10,545)	237,437	–	237,437
Acquisition of subsidiaries (note 39)	–	–	–	–	–	–	–	–	25,587	25,587
Revaluation reserve realised upon disposal	–	–	(5,621)	–	–	5,621	–	–	–	–
Appropriation to statutory reserve fund	–	–	–	1,760	–	(1,760)	–	–	–	–
At 31 December 2010	**153,641**	**542,803**	**42,959**	**8,168**	**37,361**	**(4,116)**	**–**	**780,816**	**27,832**	**808,648**

* These reserve accounts comprise the consolidated reserves of HK$627,175,000 (2009: HK$139,192,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Loss before income tax		(5,686)	(16,396)
Adjustments for:			
Finance costs	9	3,851	3,084
Interest income		(629)	(47)
Amortisation of intangible assets		3,705	–
Depreciation on property, plant and equipment		12,334	10,019
Amortisation of prepaid land premiums		271	271
(Gain)/Loss on disposals of property, plant and equipment, net		(977)	719
Provision for slow-moving, obsolete and defective inventories		9,580	21,520
Reversal of allowance for impairment on trade receivables		(603)	–
Gain on disposal of non-current assets held for sale		(1,654)	–
Loss on early redemption of a promissory note		5,451	–
Impairment of intangible assets		–	150
Fair value gains on derivative financial instruments – transactions not qualifying as hedges, net		(1,506)	(405)
Operating profit before working capital changes		24,137	18,915
Decrease in loan receivable		180	180
(Increase)/Decrease in inventories		(57,334)	45,682
(Increase)/Decrease in trade receivables		(44,995)	28,065
(Increase)/Decrease in prepayments, deposits and other receivables		(8,419)	9,329
Increase/(Decrease) in trade payables		34,632	(63,909)
Increase in other payables and accruals		11,443	148
Increase in derivative financial liabilities		–	56
Cash (used in)/generated from operations		(40,356)	38,466
Interest received		629	47
Interest paid		(2,818)	(3,084)
Hong Kong profits tax refunded		–	2
Overseas taxed paid		(1,910)	(1,558)
Net cash flows (used in)/from operating activities		(44,455)	33,873

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,524)	(1,771)
Proceeds from disposal of property, plant and equipment		12,390	172
Proceeds from disposal of non-current assets held for sale		6,054	–
Acquisition of subsidiaries, net of cash received	39	(296,175)	–
Redemption of promissory note	39	(87,000)	–
Net cash flows used in investing activities		(375,255)	(1,599)
Cash flows from financing activities			
Proceeds from issue of shares		344,000	43,651
Share issue expenses		(3,579)	(1,065)
Proceeds from new bank loans		283,868	214,197
Repayment of bank loans		(268,472)	(248,319)
Increase in pledged bank deposits		(14,243)	–
Proceeds from conversion of convertible bonds		247,400	–
Net cash flows from financing activities		588,974	8,464
Net increase in cash and cash equivalents		169,264	40,738
Cash and cash equivalents at beginning of year		62,207	21,447
Effect of foreign exchange rate changes, net		3,310	22
Cash and cash equivalents at end of year		234,781	62,207
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows	27	234,781	62,207

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Interests in subsidiaries	17	616,556	153,582
Current assets			
Prepayments, deposits and other receivables		1,233	281
Cash and cash equivalents	27	154,007	36,505
Total current assets		155,240	36,786
Current liabilities			
Accruals		750	881
Net current assets		154,490	35,905
NET ASSETS		771,046	189,487
EQUITY			
Share capital	33	153,641	53,451
Reserves	35(b)	617,405	136,036
TOTAL EQUITY		771,046	189,487

On behalf of the Board

Sue Ka Lok
Director

Lo Ming Chi, Charles
Director

Notes to the Financial Statements

1. CORPORATE INFORMATION

China Tycoon Beverage Holdings Limited (the "Company", formerly known as Sewco International Holdings Limited) 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 principal activity of the Company is investment holding and the principal activities of its subsidiaries (collectively referred to as the "Group") were manufacturing and trading of hard and stuffed toys and manufacturing and sales of beverage products during the year. The activities of its principal subsidiaries are set out in note 17 to the financial statements.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements 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.

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

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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 39 to the financial statements.

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 to the current year's financial statements.

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 land premiums 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.

Accordingly, the adoption of HKAS 17 (Amendments) has had no impact to the current year's financial statements.

Notes to the Financial Statements

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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&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 anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements.

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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 income statement 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.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

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 interest even if this results in the non-controlling interest having a deficit balance.

4.2 Subsidiaries

A subsidiary is an entity over which the Group is able to exercise control. Control is achieved where the Group, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. In the Company's statement of financial position, interests in subsidiaries are stated at cost less any impairment losses.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Associates (Continued)

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

4.4 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment at the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows:

Trademark	20 years
Customer relationships	3 years

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in other operating expenses.

Intangible assets are tested for impairment as described in note 4.7.

4.6 Property, plant and equipment

Land and buildings are stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the asset revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the asset revaluation reserve to retained profits.

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Over 3-10 years
Plant and machinery	10% to 15%
Furniture, fixtures and office equipment	15% to 20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Impairment of non-financial assets other than goodwill

Intangible assets, property, plant and equipment, prepaid land premiums, the Company's interest in subsidiaries and the Group's interest in associates are subject to impairment testing.

Intangible assets with indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired.

In respect of all other assets, at the end of each reporting period, the Group reviews the carrying amounts of the assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

4.9 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial assets

The Group's financial assets include cash and bank balances, trade and other receivables, loan receivable and derivative financial instruments.

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

4.12 Financial liabilities

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank loans.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial liabilities (Continued)

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank loans and the debt element of convertible bonds issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4.13 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.15 Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the financial guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

4.16 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis; and option pricing models.

4.17 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (equity component of convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible bonds reserve until the embedded option is exercised. Where the option remains unexercised at the expiry dates, the balance stated in equity component of convertible bonds reserve will be released to the retained profits. No gain or loss is recognised upon conversion or expiration of the option.

When the bonds are converted, the carrying amounts of the liability component together with the equity component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

4.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash that are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4.21 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the present value arising from the passage of time is included in finance costs in the income statement.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

4.22 Income tax

Income tax comprises current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Income tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4.23 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

(b) mould income from the manufacture of moulds for customers, upon completion of the production; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.24 Employee benefits

Pension schemes

The Group operates defined contribution retirement benefit schemes in Hong Kong, including a Mandatory Provident Fund scheme, for those employees who are eligible and have elected to participate in the schemes. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the schemes, with the exception of the Mandatory Provident Fund scheme, prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of any forfeited contributions. In respect of the Mandatory Provident Fund scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain amounts for the employees in Mainland China, pursuant to the local municipal government regulations. The contributions are charged to the profit or loss, as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.25 Foreign currencies

These financial statements are presented in HK$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of subsidiaries in Mainland China is a currency other than HK$. As at the end of the reporting period, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and its income statement is translated into HK$ at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve (attributed to non-controlling interests as appropriate). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiaries in Mainland China are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the subsidiaries in Mainland China which arise throughout the year are translated into HK$ at the weighted average exchange rate for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.26 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.27 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(b) the Group and the party are subject to common control;

(c) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(d) the party is a member of key management personnel of the Group or Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(e) the party is a close family member of a party referred to in (a) or is an entity under the control, joint control or significant influence of such individuals; or

(f) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the Financial Statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.28 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors 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 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, derivative 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 result are the key indicators provided to the Group's chief operating decision maker to make decisions about resource allocation and assess performance.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

(b) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all its non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Financial Statements

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

Estimation uncertainty (Continued)

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(d) Estimate fair value of leasehold land and buildings

The Group's leasehold land and buildings were stated at fair value in accordance with the accounting policies stated in note 4.6 to the financial statements. The fair value of the leasehold land and buildings are determined by an independent firm of professional valuers, RHL Appraisal Limited ("RHL"), and the fair value of the leasehold land and buildings are set out in note 15 to the financial statements. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

6. SEGMENT REPORTING

(a) Business segments

	Manufacturing and trading of hard and stuffed toys		Manufacturing and sales of beverage products		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'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

Notes to the Financial Statements

6. SEGMENT REPORTING (Continued)

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

	2010 HK$'000	2009 HK$'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 gains on derivatives financial instruments		
– transactions not qualifying as hedges, net	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 HK$'000	2009 HK$'000
Assets		
Reportable segment assets	396,650	246,422
Intangible assets	180,632	450
Goodwill	267,716	–
Derivative financial instruments	1,729	–
Other corporate assets	252,149	64,573
	1,098,876	311,445

6. SEGMENT REPORTING (Continued)

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

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

Notes to the Financial Statements

6. SEGMENT REPORTING (Continued)

(d) Information about major customers

	2010 HK$'000	2009 HK$'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 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.

7. REVENUE AND OTHER INCOME

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 HK$'000	2009 HK$'000
Revenue		
Sale of goods	435,766	325,060
Other income		
Mould income	554	687
Bank interest income	623	37
Fair value gains on derivative financial instruments		
– transactions not qualifying as hedges, net	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

Notes to the Financial Statements

8. LOSS BEFORE INCOME TAX

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

	Notes	2010 HK$'000	2009 HK$'000
Amortisation of intangible assets***	19	3,705	–
Amortisation of prepaid land premiums	16	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*	15	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***	39	5,451	–
Impairment of intangible assets***		–	150
(Gain)/loss on disposals 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 included in "Cost of inventories sold" above.

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

9. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Convertible bonds interest (note 30)	**1,326**	–
Imputed interest on promissory note	**451**	–
Interest on bank loans and overdrafts wholly repayable within five years	**2,074**	3,084
	3,851	3,084

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Fee	**300**	160
Other emoluments:		
Salaries, allowances and benefits in kind	**1,918**	4,275
Pension scheme contributions	**58**	134
	1,976	4,409
	2,276	4,569

Notes to the Financial Statements

10. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010 HK$'000	2009 HK$'000
Mr. Kwok Ming Fai	60	15
Mr. Wong Kwok Tai	60	10
Ms Leung Pik Har, Christine	60	6
Mr. Lam Chin Fung	–	50
Mr. Tse Wei Kin	–	50
Ms. Cynthia Law	–	–
	180	131

There were no other emoluments payable to the independent non-executive directors during the year.

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010				
Executive directors:				
Mr. Lo Ming Chi, Charles	–	780	40	820
Ms. Danita On	–	228	11	239
Mr. Shi Zhiqiang	–	288	–	288
Mr. Song Tai San	–	102	–	102
Ms. Chan Yuk Yee	–	130	7	137
Ms. Wang Jingyu	–	390	–	390
	–	1,918	58	1,976
Non-executive director:				
Mr. Sue Ka Lok	120	–	–	120
	120	1,918	58	2,096

10. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009				
Executive directors:				
Mr. Lo Ming Chi, Charles	–	191	5	196
Ms. Chan Yuk Yee	–	32	1	33
Ms. Wang Jingyu	–	36	–	36
Ms. Cheung Yan, Priscilla	–	1,481	45	1,526
Ms. Cheung Man, Catherine	–	683	15	698
Mr. Ha Jimmy N. T.	–	229	11	240
Mr. Hui Kwok Chu	–	881	27	908
Mr. Sham Lok Shing, Edward	–	742	30	772
	–	4,275	134	4,409
Non-executive director:				
Mr. Sue Ka Lok	29	–	–	29
	29	4,275	134	4,438

Mr. Wei Heli, who was appointed and resigned as director during the year, waived all his right to receive the director's remuneration entitled under his service contract for the amount of HK$22,000 during the period.

Notes to the Financial Statements

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2009: four) director, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2009: one) highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,941**	988
Pension scheme contributions	**148**	42
	4,089	1,030

12. INCOME TAX EXPENSE

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) (note 32)	**470**	(437)
Income tax expense	**7,430**	1,381

12. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax charge applicable to loss before income tax at the statutory rates for the regions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2010

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/Profit before income tax	(9,258)		3,572		(5,686)	
Tax at the statutory tax rate	(1,528)	(16.5)	893	25.0	(635)	(11.2)
Tax effect of unused tax losses not recognised	892	9.6	–	–	892	15.7
Tax effect of prior year's unrecognised tax losses utilised this year	(920)	(9.9)	–	–	(920)	(16.2)
Income not subject to tax	(2,162)	(23.4)	–	–	(2,162)	(38.0)
Expenses not deductible for tax	3,746	40.5	4,972	139.2	8,718	153.3
Tax effect of deductible temporary differences previously not recognised	(63)	(0.7)	(694)	(19.4)	(757)	(13.3)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries in Mainland China	898	9.7	–	–	898	15.8
Others	994	10.7	402	11.3	1,396	24.6
Tax charge at the Group's effective rate	1,857	20.0	5,573	156.1	7,430	130.7

Group – 2009

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before income tax	(15,307)		(1,089)		(16,396)	
Tax at the statutory tax rate	(2,526)	(16.5)	(272)	(25.0)	(2,798)	(17.1)
Tax effect of unused tax losses not recognised	1,058	6.9	–	–	1,058	6.4
Income not subject to tax	(73)	(0.4)	–	–	(73)	(0.4)
Expenses not deductible for tax	1,106	7.2	1,828	167.9	2,934	17.9
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries in Mainland China	92	0.6	–	–	92	0.6
Others	168	1.1	–	–	168	1.0
Tax charge/(credit) at the Group's effective rate	(175)	(1.1)	1,556	142.9	1,381	8.4

Notes to the Financial Statements

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2010 includes a loss of HK$6,844,000 (2009: HK$19,494,000) which has been dealt with in the financial statements of the Company (note 35(b)).

14. 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.

15. PROPERTY, PLANT AND EQUIPMENT

Group

2010	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2010						
Cost or valuation	125,890	515	76,660	22,090	5,586	230,741
Accumulated depreciation	–	(336)	(53,787)	(13,671)	(4,910)	(72,704)
Net carrying amount	125,890	179	22,873	8,419	676	158,037
Year ended 31 December 2010						
Opening net carrying amount	125,890	179	22,873	8,419	676	158,037
Additions	–	2,919	6,985	2,247	19	12,170
Acquisition of subsidiaries (note 39)	–	–	52,423	938	956	54,317
Disposals	(10,826)	(34)	(459)	(94)	–	(11,413)
Surplus on revaluation	7,432	–	–	–	–	7,432
Depreciation provided during the year	(3,420)	(227)	(6,029)	(2,391)	(267)	(12,334)
Impairment loss	(5,074)	–	–	–	–	(5,074)
Transfer (note 23)	(18,293)	–	–	–	–	(18,293)
Exchange realignment	291	17	742	197	27	1,274
Closing net carrying amount	96,000	2,854	76,535	9,316	1,411	186,116
At 31 December 2010						
Cost or valuation	96,000	3,418	137,442	25,378	6,739	268,977
Accumulated depreciation	–	(564)	(60,907)	(16,062)	(5,328)	(82,861)
Net carrying amount	96,000	2,854	76,535	9,316	1,411	186,116
Analysis of cost or valuation:						
At cost	–	3,418	137,442	25,378	6,739	172,977
At valuation	96,000	–	–	–	–	96,000
	96,000	3,418	137,442	25,378	6,739	268,977

Notes to the Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

2009	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2009						
Cost or valuation	133,150	1,480	76,812	20,299	6,857	238,598
Accumulated depreciation	–	(939)	(49,793)	(13,360)	(5,597)	(69,689)
Net carrying amount	133,150	541	27,019	6,939	1,260	168,909
Year ended 31 December 2009						
Opening net carrying amount	133,150	541	27,019	6,939	1,260	168,909
Additions	–	–	263	3,523	–	3,786
Disposals	–	(289)	(313)	(101)	(188)	(891)
Surplus on revaluation	596	–	–	–	–	596
Depreciation provided during the year	(3,474)	(73)	(4,123)	(1,952)	(397)	(10,019)
Transfer (note 23)	(4,400)	–	–	–	–	(4,400)
Exchange realignment	18	–	27	10	1	56
Closing net carrying amount	125,890	179	22,873	8,419	676	158,037
At 31 December 2009						
Cost or valuation	125,890	515	76,660	22,090	5,586	230,741
Accumulated depreciation	–	(336)	(53,787)	(13,671)	(4,910)	(72,704)
Net carrying amount	125,890	179	22,873	8,419	676	158,037
Analysis of cost or valuation						
At cost	–	515	76,660	22,090	5,586	104,851
At valuation	125,890	–	–	–	–	125,890
	125,890	515	76,660	22,090	5,586	230,741

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

At the end of the reporting period, the Group's leasehold buildings situated in Mainland China were revalued individually by RHL in aggregate at HK$96,000,000 (2009: Leasehold land and buildings situated in Hong Kong and leasehold buildings situated in Mainland China at HK$125,890,000) on an open market, existing use or depreciated replacement cost basis. A revaluation surplus of HK$7,432,000 (2009: HK$596,000) was resulted from the above valuations. The net revaluation surplus of HK$2,358,000 after offset by an impairment loss of HK$5,074,000 recognised for certain land and buildings as at 31 December 2010, has been credited to other comprehensive income for the current year.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been HK$51,792,000 (2009: HK$77,655,000).

At 31 December 2010, the Group's leasehold buildings and prepaid land lease premiums in Mainland China as disclosed in note 16 to the financial statements with carrying amount of approximately HK$96,000,000 and HK$5,307,000 respectively were pledged to secure general banking facilities granted to the Group (note 31).

At 31 December 2009, the Group's leasehold buildings and prepaid land lease premiums in Mainland China as disclosed in note 16 to the financial statements with carrying amount of approximately HK$112,300,000 and HK$9,807,000 respectively, and leasehold buildings in Hong Kong with carrying amount of approximately HK$11,010,000 were pledged to secure general banking facilities granted to the Group (note 31).

The leasehold buildings situated in Mainland China of HK$96,000,000 (2009: HK$112,300,000) are located on the leasehold land as disclosed in note 16 to the financial statements.

16. PREPAID LAND PREMIUMS

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**9,807**	10,070
Amortisation	**(271)**	(271)
Transfer (note 23)	**(4,323)**	–
Exchange realignment	**94**	8
Carrying amount at 31 December	**5,307**	9,807
Current portion	**(146)**	(266)
Non-current portion	**5,161**	9,541

The leasehold land is held under a medium term lease and is situated in Mainland China.

Notes to the Financial Statements

17. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**156,726**	156,726
Advances to subsidiaries (note (a))	**515,746**	63,578
	672,472	220,304
Allowance for impairment (note (b))	**(55,916)**	(66,722)
	616,556	153,582

Notes:

(a) The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

(b) As at 31 December 2009, an impairment of HK$10,806,000 (2008: HK$10,806,000) was recognised for the full amount due from a subsidiary because that subsidiary was loss-making. Such allowance for impairment has been fully written off against the debts during the current year due to the deregistration of the subsidiary. No additional impairment has been provided in the current year.

As at 31 December 2010, an impairment of HK$55,916,000 (2009: HK$55,916,000) was also recognised for an unlisted investment in a subsidiary with a carrying amount of HK$156,726,000 (before deducting the impairment loss) (2009: HK$156,726,000) because that subsidiary has also recognised an impairment in respect of its subsidiaries, which were loss-making.

17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sewco (B.V.I.) Limited	British Virgin Islands	Ordinary US$401	100	–	Investment holding
Jiming Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Sewco Toys & Novelty Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$420,000	–	100	Investment holding and trading of toy products
Pearl Delta Toys Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$2,000,000	–	100	Provision of agency services
Central Information Limited	Hong Kong	Ordinary HK$100	–	100	Provision of management services
中山崇高玩具製品廠有限公司 (Zhongshan Sewco Toys & Novelty Limited*)#	The People's Republic of China (the "PRC")/ Mainland China	Paid-up registered HK$123,800,000	–	100	Manufacturing of toys
大亨（天津）食品工業有限公司 (Daheng (Tianjin) Foods Industry Company Limited*)#	PRC/Mainland China	Paid-up registered US$6,000,000	–	82.3	Manufacturing and sales of beverage products
大亨果汁（天津）有限公司 (Daheng Beverage (Tianjin) Co. Ltd.*)#	PRC/Mainland China	Registered US$99,990,000	–	82.3	Not yet commenced business

A wholly-foreign-owned enterprise registered in the PRC

* For identification purpose only

The financial statements of the above subsidiaries for the year ended 31 December 2010 are audited by BDO Limited, for the purpose of incorporation into the Group's consolidated financial statements.

Notes to the Financial Statements

17. INTERESTS IN SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Daheng Beverage (Tianjin) Co. Ltd. was incorporated on 17 December 2010 in the PRC. As at 31 December 2010, no capital was injected. Capital injections totalling approximately US$14,999,000 were subsequently made up to the approval date of these financial statements of the Group.

18. INTERESTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**–**	–
Goodwill on acquisition	**4,964**	4,964
	4,964	4,964
Allowance for impairment	**(4,964)**	(4,964)
	–	–

Particulars of the associates are as follows:

Name	Particulars of issued shares/common stocks held	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group	Principal activities
Jasman Asia Limited	Ordinary shares of HK$10 each	Hong Kong	40	In liquidation
Jasman Inc.	Common shares of no par value	The United States of America	40	In liquidation
Jasman USA Inc.	Common stocks of US$0.01 each	The United States of America	40	In liquidation

The above associates are not audited by BDO Limited or other member firm of the BDO global network.

18. INTERESTS IN ASSOCIATES (Continued)

The Group has discontinued the recognition of its share of losses of its associates since last year because the share of losses of these associates exceeded the Group's interests in these associates. Impairment loss was recognised as at 31 December 2010 for the interests in associates amounting to HK$4,964,000 (2009: HK$4,964,000) because the associates were in financial difficulty.

The Group's trade receivable from an associate is disclosed in note 24 to the financial statements.

Management accounts of the Group's associates are not available as these associates are currently in the process of creditors' liquidation. Accordingly, no information as required by HKAS 28 "Investments in Associates" in respect of these associates is disclosed.

19. INTANGIBLE ASSETS

Group

	Golf Club membership HK$'000	Trademark HK$'000	Customer relationships HK$'000	Total HK$'000
At 1 January 2009				
Gross and net carrying amount	600	–	–	600
Net carrying amount at 1 January 2009	600	–	–	600
Impairment	(150)	–	–	(150)
Net carrying amount as at 31 December 2009	450	–	–	450
At 31 December 2009 and 1 January 2010				
Gross carrying amount	600	–	–	600
Accumulated impairment	(150)	–	–	(150)
Net carrying amount	450	–	–	450
Net carrying amount at 1 January 2010	450	–	–	450
Acquisition of subsidiaries (note 39)	–	172,684	7,439	180,123
Amortisation	–	(2,878)	(827)	(3,705)
Exchange realignment	–	3,623	141	3,764
Net carrying amount as at 31 December 2010	**450**	**173,429**	**6,753**	**180,632**

The amortisation charge for the year is included in other operating expenses in the consolidated income statement.

Notes to the Financial Statements

20. GOODWILL

	Group
	HK$'000
Acquisition of subsidiaries (note 39)	262,123
Exchange realignment	5,593
Net carrying amount as at 31 December 2010	**267,716**

The goodwill arose from the acquisition of a new beverage business during the year (note 39).

The carrying amount of the goodwill, net of any impairment loss, is allocated to the cash generating unit of manufacturing and sales of beverage products which was acquired during the year.

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

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

Growth rate	3%
Discount rate	12.02%

The key assumptions also include 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 after-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 unit above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

21. LOAN RECEIVABLE

The balance represents an advance made by a subsidiary of the Company to an employee of the Group. The loan interest rate is charged at 2% (2009: 2%) per annum. The outstanding loan balance is repayable by monthly instalments of HK$15,000 by the borrower.

The instalments receivable in the next 12 months are included under current assets and the balance of HK$35,000 (2009: HK$215,000) is included under non-current assets as at 31 December 2010.

22. INVENTORIES

	Group	
	2010 HK$'000	2009 HK$'000
Raw materials	35,413	12,908
Work in progress	36,147	15,158
Finished goods	12,955	8,695
	84,515	36,761

23. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2010 HK$'000	2009 HK$'000
Transfer from property, plant and equipment (note 15)	18,293	4,400
Transfer from prepaid land premiums (note 16)	4,323	–
	22,616	4,400

On 6 October 2010, a provisional sale and purchase agreement was entered into with an independent third party in respect of the disposal of the Group's properties situated in Hong Kong with a net carrying amount of HK$2,529,000 at a consideration of HK$3,200,000. The transaction was completed on 28 January 2011 (note 43(a)).

On 15 December 2010, a provisional sale and purchase agreement was entered into with an independent third party in respect of the disposal of certain of the Group's prepaid land premiums and buildings situated in Mainland China with net carrying amounts of HK$4,323,000 and HK$15,764,000 respectively, at a consideration of HK$24,000,000. The transaction was completed on 7 January 2011 (note 43(a)).

Notes to the Financial Statements

23. NON-CURRENT ASSETS HELD FOR SALE (Continued)

On 22 October 2009, a provisional sale and purchase agreement was entered into with an independent third party in respect of the disposal of one of the Group's properties, situated in Hong Kong, at a consideration of HK$6,125,000. The transaction was completed on 5 January 2010.

As at 31 December 2009, the property held for sale was pledged to secure general bank facilities granted to the Group.

24. 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

24. TRADE RECEIVABLES (Continued)

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$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.

The movement in allowance for impairment of trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	14,984	14,984
Reversal of allowance for impairment losses (note 7)	(603)	–
At 31 December	14,381	14,984

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	23,104	23,169
Less than 1 month past due	48,190	8,800
1 to 3 months past due	14,798	–
Over 3 months past due	722	–
	86,814	31,969

Receivables that were neither past due nor impaired related to diversified customers for whom there was no recent history of default.

Notes to the Financial Statements

24. TRADE RECEIVABLES (Continued)

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables were prepayments of HK$9,311,000 (2009: HK$597,000), of which HK$4,525,000 (2009: HK$nil) representing prepaid advertising expenses which was contributed by the newly acquired beverage business.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Financial assets at fair value through profit or loss		
– Currency options	**1,552**	–
– Interest rate swaps	**177**	–
	1,729	–
Financial liabilities at fair value through profit or loss		
– Currency forwards	**6**	–
– Interest rate swaps	**217**	–
	223	–

The Group had no derivative financial instruments held as at 31 December 2009. All the financial assets/liabilities at fair value through profit or loss are held for trading.

The Group entered into the above contracts to mitigate exchange rate exposure of Renminbi ("RMB") against HK$ or United States dollars ("US$") and interest rate exposure arising from certain bank loans of HK$14,422,000 (note 31) which are interest bearing at floating rate.

These derivative financial instruments are stated at fair value. The fair value of these instruments has been measured as described in note 42. The net fair value gain or loss are credited or charged to the profit or loss under other income or other operating expenses.

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents include:				
Cash and bank balances	**234,781**	62,207	**154,007**	36,505
Pledged bank deposits	**14,243**	–	**–**	–

At 31 December 2010, the cash and bank balances of the Group denominated in RMB amounted to HK$30,134,000 (2009: HK$12,584,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Pledged bank deposits earn interest at 1.98% to 2% per annum (2009: nil) and have a maturity of 11 months to one year. They have been pledged to secure interest-bearing bank loans (note 31).

Notes to the Financial Statements

28. 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.

29. OTHER PAYABLES AND ACCRUALS

Included in other payables was an amount of HK$35,040,000 (2009: HK$nil) payable for acquisition of property, plant and equipment for the new beverage business and deposits received for the disposal of non-current assets held for sale of HK$17,320,000 (2009: HK$613,000).

30. CONVERTIBLE BONDS

On 20 August 2009, the Company entered into a subscription agreement (the "Subscription Agreement") with Right Perfect Limited ("Right Perfect") and a placing agreement (the "Placing Agreement") with a placing agent in respect of the offer to subscribe/place convertible bonds of the Company, within the subscription/placing period, up to the principal amounts of HK$120,000,000 and HK$130,000,000 respectively, convertible into up to 657,894,736 shares at the initial conversion price of HK$0.38 for each ordinary share and the interest rate for the convertible bonds is 3% per annum. The Subscription Agreement and Placing Agreement were approved by shareholders of the Company on 29 October 2009. Details of the Subscription Agreement and Placing Agreement were contained in the announcement jointly issued by the Company and Right Perfect on 24 August 2009 and circular of the Company dated 12 October 2009.

On 9 February 2010, a convertible bond in principal amount of HK$120,000,000 was issued to Right Perfect, a controlling shareholder of the Company which was incorporated in the British Virgins Islands, and convertible bonds in aggregate principal amount of HK$130,000,000 were issued to not less than six independent placees.

30. CONVERTIBLE BONDS (Continued)

Right Perfect and the independent placees have the right to convert the outstanding principal amount of the convertible bonds into shares of the Company at any time from the date of issue up to 7 days prior to the maturity date, being 9 February 2012, at the conversion price of HK$0.38 per conversion share. The convertible bonds carry interest at a rate of 3% per annum, which is payable semi-annually in arrears on 30 June and 31 December.

During the period from 23 February 2010 to 30 June 2010, all the convertible bonds in aggregate principal amount of HK$250,000,000 were converted by Right Perfect and the independent placees, which resulted in a total number of 657,894,729 ordinary shares of HK$0.10 each being issued by the Company (note 33). After the conversions, there were no outstanding convertible bonds.

The fair value of liability component of the convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar liability without a conversion option. The effective interest rate of the liability component on initial recognition is 5.346% per annum. The residual amount is assigned as the equity component of the convertible bonds and is included in shareholders' equity.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the maturity period of the convertible bonds using the effective interest method.

The movements of the liability and equity components of the convertible bonds during the year are as follows:

	Liability component of convertible bonds	**Equity component of convertible bonds**	**Total**
	HK$'000	HK$'000	HK$'000
Principal amount of convertible bonds issued	239,344	10,656	250,000
Direct transaction costs attributable	(2,489)	(111)	(2,600)
Interest expenses (note 9)	1,326	–	1,326
Interest paid for the period	(744)	–	(744)
Conversion of convertible bonds	(237,437)	(10,545)	(247,982)
At 31 December 2010	**–**	**–**	**–**

Notes to the Financial Statements

31. INTEREST-BEARING BANK LOANS

Group

	2010			2009		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	Fixed rates of 3.25% to 3.30% per annum	February 2011 to March 2011	46,361	Fixed rates of 0.19% to 0.44% per month	January 2010 to April 2010	43,077
Bank loans – secured	LIBOR plus 0.7% per annum	December 2011	14,422	–	–	–
Instalment loan – secured	–	–	–	Prime – 2.5%	August 2010	2,310
			60,783			45,387

The above bank and instalment loans are repayable within one year and with carrying amounts approximate to their fair values.

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) the pledge of the Group's leasehold land and buildings in Mainland China, which had an aggregate carrying amount at 31 December 2010 of approximately HK$101,307,000 (2009: HK$122,107,000) (note 15);

(ii) the pledge of the Group's certain leasehold buildings situated in Hong Kong, which had an aggregate carrying amount at 31 December 2010 of HK$nil (2009: HK$11,010,000) (note 15); and

(iii) the pledge of the Group's bank deposits denominated in RMB of HK$14,243,000 (2009: HK$nil) (note 27).

(b) Except for secured bank loans of HK$14,422,000 (2009: HK$17,036,000) which are denominated in US$, all other bank and instalment loans are in HK$.

32. DEFERRED TAX

The movements in the Group's deferred tax (assets)/liabilities during the year as follows:

	Accelerate tax depreciation HK$'000	Revaluation of leasehold land and buildings HK$'000	Intangible assets HK$'000	Tax losses HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2009	640	1,290	–	(640)	529	1,819
Deferred tax charged/(credited) to profit or loss for the year (note 12)	294	–	–	(294)	(437)	(437)
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	–	320	–	–	–	320
At 31 December 2009 and 1 January 2010	934	1,610	–	(934)	92	1,702
Acquisition of subsidiaries (note 39)	(803)	–	45,031	–	–	44,228
Deferred tax charged/(credited) to profit or loss for the year (note 12)	566	(63)	(931)	–	898	470
Withholding tax paid during the year	–	–	–	–	(92)	(92)
Deferred tax charge arising from revaluation surplus on leasehold land and buildings	–	418	–	–	–	418
Exchange realignment	(22)	–	945	–	12	935
At 31 December 2010	**675**	**1,965**	**45,045**	**(934)**	**910**	**47,661**

The Group has estimated tax losses arising in Hong Kong of HK$78,713,000 (2009: HK$93,871,000) that are available indefinitely for offsetting against future taxable profits of the group companies in which the losses arose. Deferred tax assets of HK$12,987,000 (2009: HK$14,555,000) have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied to the Group as there is a tax treaty between Mainland China and Hong Kong. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Notes to the Financial Statements

32. DEFERRED TAX (Continued)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

	Company	
	2010 **HK$'000**	2009 HK$'000
Authorised:		
7,000,000,000 (2009: 7,000,000,000) ordinary shares of HK$0.10 (2009: HK$0.10) each	**700,000**	700,000
Issued and fully paid:		
1,536,408,729 (2009: 534,514,000) ordinary shares of HK$0.10 (2009: HK$0.10) each	**153,641**	53,451

During the year, the movements in share capital were as follows:

(a) During the period from 23 February 2010 to 30 June 2010, convertible bonds in aggregate principal amount of HK$250,000,000 were converted resulting in a total number of 657,894,729 ordinary shares of HK$0.10 each being issued by the Company (note 30).

(b) On 8 March 2010, the Company entered into a placing agreement with the placing agent in respect of the placing of 106,000,000 new shares at an issue price of HK$1 per share. On 15 March 2010, the placing was completed and 106,000,000 new shares were placed by the placing agent to not less than six independent placees at an issue price of HK$1 per share resulting in raising proceeds, before expenses, of HK$106,000,000. The net proceeds of this placing of approximately HK$103,870,000 (equivalent to a net price of approximately HK$0.98 per share) were used as general working capital and part of the consideration for the acquisition of the new beverage business during the year.

(c) On 24 August 2010, the Company, Right Perfect and two placing agents entered into a placing agreement pursuant to which Right Perfect agreed to place, through the placing agents, up to 238,000,000 shares of the Company, on a best commercial effort basis, at a placing price of HK$1 per share (the "Placing"). On the even date, the Company and Right Perfect entered into a subscription agreement pursuant to which Right Perfect has conditionally agreed to subscribe for up to 238,000,000 shares of the Company at a subscription price of HK$1 per share (the "Subscription"). The Placing was completed on 27 August 2010 and the Subscription was completed on 6 September 2010 and 238,000,000 shares of the Company were allotted to Right Perfect on 6 September 2010 resulting in raising proceeds, before expenses, of HK$238,000,000. The net proceeds of this placing of approximately HK$236,551,000 (equivalent to a net price of approximately HK$0.99 per share) would be used for replenishment of general working capital and for opportunistic investments if suitable opportunities arise in the future.

33. SHARE CAPITAL (Continued)

A summary of the movement during the year in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital
		HK$'000
At 1 January 2009, 31 December 2009 and 1 January 2010	534,514,000	53,451
Conversion of convertible bonds (a)	657,894,729	65,790
Issue of shares (b and c)	344,000,000	34,400
	1,536,408,729	153,641

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time employee or executive of the Company or any of its subsidiaries, including any executive or non-executive director, any discretionary object of a grantee which is a discretionary trust, and any shareholder of any member of the Group or any holder of any securities issued by any member of the Group. The Scheme was adopted and approved by the shareholders of the Company on 5 February 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of ordinary shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (the "Limit") must not in aggregate exceed 10% of the ordinary shares of the Company in issue on 6 March 2002 (the commencement date of dealings of the Company's shares on the Stock Exchange). The Company may seek approval of its shareholders in a general meeting to refresh the Limit, provided that the total number of ordinary shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company under the Limit as "refreshed" must not exceed 10% of the ordinary shares in issue as at the date of approval of the Limit. The maximum number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the issued share capital of the Company at any time. The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant in the Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in the 12-month period up to and including the date of such further grant in excess of this limit is subject to shareholders' approval in a general meeting.

Notes to the Financial Statements

34. SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is proposed to be a grantee. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, is subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, and commences at any time on or after the date upon which the option is deemed to be granted and accepted, and expires not later than the 10th anniversary of that date. There is no specific requirement that an option must be held for any minimum period before it can be exercised.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of:

(i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the share options which must be a trading day;

(ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; and

(iii) the nominal value of the Company's shares.

The total number of shares available for issue upon exercise of options not yet been granted under the Scheme is 119,314,557 shares, representing 7.08% of the issued share capital of the Company as at the date of these financial statements.

No share options have been granted under the Scheme since its adoption.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the financial statements.

Pursuant to the relevant laws and regulations applicable to wholly-foreign-owned enterprises in Mainland China, the Company's subsidiaries in Mainland China are required to appropriate an amount of not less than 10% of its profit after tax to the statutory reserve fund, which may be distributed to shareholders in the form of a bonus issue.

(b) Company

	Share premium account	Contributed surplus*	Accumulated losses	Equity component of convertible bonds	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	20,912	152,762	(51,822)	–	121,852
Total comprehensive loss for the year	–	–	(19,494)	–	(19,494)
Issue of shares	34,743	–	–	–	34,743
Share issue expenses	(1,065)	–	–	–	(1,065)
At 31 December 2009 and 1 January 2010	54,590	152,762	(71,316)	–	136,036
Total comprehensive loss for the year	–	–	(6,844)	–	(6,844)
Principal amount of convertible bonds issued	–	–	–	10,656	10,656
Direct transaction costs attributable				(111)	(111)
Conversion of convertible bonds	182,192	–	–	(10,545)	171,647
Issue of shares	309,600	–	–	–	309,600
Share issue expenses	(3,579)	–	–	–	(3,579)
At 31 December 2010	**542,803**	**152,762**	**(78,160)**	**–**	**617,405**

* The contributed surplus of the Company arose as a result of the reorganisation of the Group and represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the reorganisation, over the nominal value of the Company's shares issued in exchange therefore.

Notes to the Financial Statements

35. RESERVES (Continued)

(b) Company (Continued)

Under the Bermuda Companies Act 1981, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances.

36. FINANCIAL GUARANTEES

As at 31 December 2009, the Company had provided corporate guarantees of HK$22,700,000 to a bank in respect of banking facilities granted to its subsidiaries. The amount utilised by these subsidiaries was HK$2,310,000 as at 31 December 2009.

As at 31 December 2010, the Company did not provide any such corporate guarantees.

37. OPERATING LEASE COMMITMENTS

The Group leases certain of its properties under operating lease arrangements. Leases for these properties are negotiated for a term of one to ten years.

As at 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**6,927**	1,699
In the second to fifth years, inclusive	**18,955**	2,552
After five years	**18,008**	–
	43,890	4,251

As at 31 December 2010, the Company had no operating lease arrangements (2009: nil).

38. CAPITAL COMMITMENTS

As at 31 December 2010, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted for:		
Office equipment	**–**	388

As at 31 December 2010, the Company had no significant commitments (2009: nil).

39. 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 manufacture and sale of beverage products. The main operating unit of Tycoon Beverage Group is Daheng (Tianjin) Foods Industry Company Limited, which was incorporated on 5 February 2010 and started trading of beverages in July 2010. The acquisition was made with the aim to diversify its existing business portfolio and to broaden its source of income.

Notes to the Financial Statements

39. BUSINESS ACQUIRED DURING THE YEAR (Continued)

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

39. BUSINESS ACQUIRED DURING THE YEAR (Continued)

The Group has elected to measure the non-controlling interest 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 early redemption of HK$452,000 was included in finance costs for the year.

40. RELATED PARTY TRANSACTIONS

(a) Saved as disclosed elsewhere in these financial statements, the Group or the Company did not have any related party transactions during the year.

(b) Compensation of key management personnel of the Group are disclosed in notes 10 and 11 to the financial statements.

Notes to the Financial Statements

41. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

	2010 HK$'000	2009 HK$'000
Financial assets		
Financial assets at fair value through profit or loss derivative financial instruments	1,729	–
Loans and receivables		
Trade receivables	86,814	31,969
Loan receivable	215	395
Financial assets including in prepayments, deposits and other receivables	6,275	2,950
Pledged bank deposits	14,243	–
Cash and cash equivalents	234,781	62,207
	344,057	97,521

	2010 HK$'000	2009 HK$'000
Financial liabilities		
Financial liabilities at fair value through profit or loss derivative financial instruments	223	–
Financial liabilities measured at amortised cost		
Trade payables	68,805	33,801
Financial liabilities including in other payables and accruals	86,374	11,019
Interest-bearing bank loans	60,783	45,387
	216,185	90,207

41. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

Company

	2010 HK$'000	2009 HK$'000
Financial assets		
Cash and cash equivalents	154,007	36,505

	2010 HK$'000	2009 HK$'000
Financial liabilities		
Financial liabilities measured at amortised cost		
Financial liabilities including in other payables and accruals	750	–

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group seeks to minimise the effects of certain interest rate and foreign currency risks by using derivative financial instruments to hedge these risk exposures. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Notes to the Financial Statements

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's funding policy uses short-term interest-bearing loans, at floating and fixed rates, to finance its working capital requirements. In addition, the Group has entered into certain interest rate swap contracts to minimise the potential cash flow interest rate risk for certain interest-bearing bank loans. Accordingly, the Group's exposure to such interest rate risk at 31 December 2010 is minimal in respect of these interest-bearing loans with floating interest rates.

As at 31 December 2010, the Group was exposed to fair value interest rate risk due to potential changes in market interest rates through its interest-bearing loans which are at fixed rates. However, due to its short term maturity, the directors consider that any potential change in the market interest rate will have minimal impact on the Group's profit or loss before income tax for the year.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before income tax (through the impact on floating rate borrowings).

	2010		2009	
Bank loans denominated in	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before income tax HK$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before income tax HK$'000
HK$	100	–	100	95
RMB	100	–	100	568
HK$	(100)	–	(100)	(95)
RMB	(100)	–	(100)	(568)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and most of its subsidiaries are HK$ and RMB, respectively, with certain of their business transactions being settled in US$ and RMB. Other than certain trade receivables and payables, certain financial assets at fair value through profit or loss, bank deposits of the Group are denominated mainly in RMB and US$. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$ and RMB, against the functional currency of the relevant group entities. The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before income tax (due to changes in the fair value of monetary assets and liabilities denominated other than the functional currencies of the group entities).

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in loss before income tax
	%	HK$'000
2010		
If Hong Kong dollar weakens against RMB	**5**	**697**
If Hong Kong dollar strengthens against RMB	**(5)**	**(697)**
2009		
If Hong Kong dollar weakens against RMB	5	1,893
If Hong Kong dollar strengthens against RMB	(5)	(1,893)

Notes to the Financial Statements

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. The Group's sales for the segment of manufacturing and trading of hard and stuffed toys are made to several major customers and there is concentration of credit risk. In respect of the segment of manufacturing and sales of beverage products, there is no concentration of credit risk. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents as well as loan and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. At the end of the reporting period, the Group had certain concentration of credit risk as 23.5% (2009: 58.6%) and 36.4% (2009: 68.6%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, in the segment of manufacturing and trading of hard and stuffed toys.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position after deducting any impairment allowance.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets. (e.g., trade receivables) and projected cash flows from operations.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own operating cash reserve and bank loans. The Group maintains good business relations with it bankers and ensures compliance with covenants as stipulated in the banking facility agreements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2010				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Interest-bearing bank loans	–	46,743	15,058	61,801	60,783
Trade payables	24,839	21,980	21,986	68,805	68,805
Other payables and accruals	63,014	–	23,360	86,374	86,374
	87,853	68,723	60,404	216,980	215,962
Derivatives financial instruments:					
– cash outflow	–	–	223	223	223

Notes to the Financial Statements

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	2009				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Interest-bearing bank loans	–	27,327	18,518	45,845	45,387
Trade payables	15,361	15,825	2,615	33,801	33,801
Other payables and accruals	7,571	3,448	–	11,019	11,019
	22,932	46,600	21,133	90,665	90,207

The maturity profile of the Company's financial liabilities, based on the contractual undiscounted payment, is as follows:

Company

	2010 HK$'000	2009 HK$'000
Other payables and accruals repayable on demand or less than three months	**750**	–
Financial guarantees – maximum amount guaranteed as at the end of the reporting period	**–**	2,310

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
– Derivatives	–	1,729	–	1,729
Financial liabilities at fair value through profit or loss				
– Derivatives	–	223	–	223

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

There have been no significant transfers between level 1 and 2 in the reporting period.

Notes to the Financial Statements

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are 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 shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. The Group's policy is to maintain the gearing ratio less than 75%. Net debt includes interest-bearing bank loans, trade payables, other payables and accruals, less pledged bank deposits and cash and cash equivalents. Capital represents total equity. The gearing ratios as at the ends of reporting periods were as follows:

Group

	2010 **HK$'000**	2009 HK$'000
Interest-bearing bank loans	**60,783**	45,387
Trade payables	**68,805**	33,801
Other payables and accruals	**105,931**	36,137
Less: Pledged bank deposits	**(14,243)**	–
Cash and cash equivalents	**(234,781)**	(62,207)
Net debt	**(13,505)**	53,118
Total equity	**808,648**	192,643
Capital and net debt	**795,143**	245,761
Gearing ratio	**Not Applicable**	22%

43. EVENTS AFTER THE REPORTING PERIOD

(a) On 6 October 2010, a provisional sale and purchase agreement was entered into with an independent third party in respect of the disposal of the Group's properties situated in Hong Kong with a net carrying amount of HK$2,529,000 (note 23), at a consideration of HK$3,200,000. The transaction was completed on 28 January 2011.

On 15 December 2010, a provisional sale and purchase agreement was entered into with an independent third party in respect of the disposal of certain of the Group's prepaid land premiums and buildings situated in Mainland China with net carrying amounts of HK$4,323,000 and HK$15,764,000 respectively (note 23), at a consideration of HK$24,000,000. The transaction was completed on 7 January 2011.

(b) During the year the Company entered into a share placing agreement and a supplemental agreement with a placing agent whereby the placing agent agreed to place, on a best effort basis, a maximum of 900,000,000 shares of the Company to not less than six placees at the placing price of HK$1.05 per placing share. On 8 February 2011, 150,000,000 shares of the Company were placed by the placing agent to not less than six independent placees at the placing price of HK$1.05 per share resulting in raising proceeds before expenses of HK$157,500,000.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2011.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2010	2009	2008	2007	2006
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**435,766**	325,060	873,677	774,362	622,200
Cost of sales	**(365,741)**	(290,772)	(838,620)	(733,954)	(544,144)
Gross profit	**70,025**	34,288	35,057	40,408	78,056
Other income and gain	**8,841**	6,803	11,681	4,577	2,962
Selling and distribution costs	**(12,407)**	(11,312)	(37,306)	(37,271)	(22,562)
Administrative expenses	**(55,248)**	(42,611)	(68,378)	(64,948)	(49,940)
Other operating income/(expenses), net	**(13,046)**	(480)	(16,087)	3,584	(3,228)
Finance costs	**(3,851)**	(3,084)	(3,403)	(1,322)	(207)
Share of profits/(losses) of associates	**–**	–	(2,402)	325	5,214
(Loss)/Profit before tax	**(5,686)**	(16,396)	(80,838)	(54,647)	10,295
Income tax expense	**(7,430)**	(1,381)	(3,436)	(1,126)	(6,287)
(Loss)/Profit for the year	**(13,116)**	(17,777)	(84,274)	(55,773)	4,008
ASSETS AND LIABILITIES					
TOTAL ASSETS	**1,098,876**	311,445	383,973	547,008	424,367
TOTAL LIABILITIES	**(290,228)**	(118,802)	(216,702)	(302,907)	(145,882)
	808,648	192,643	167,271	244,101	278,485