TYCOON

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

Interim Report 2011

* For identification purpose only

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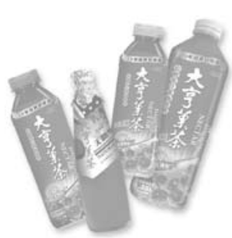


Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Sue Ka Lok *(Chairman)*

Executive Directors

Mr. Lo Ming Chi, Charles
(Deputy Chairman and Chief Executive Officer)
Ms. Danita On
(Chief Operating Officer)
Ms. Chan Yuk Yee
Ms. Wang Jingyu
Mr. Shi Zhiqiang

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

Suite 1202, 12th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, 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

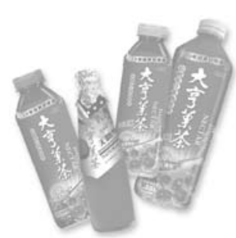
WEBSITE

www.chinatycoon.com.hk

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June **2011** *HK$'000* (Unaudited)	2010 *HK$'000* (Unaudited)
Revenue	4	**206,940**	119,218
Cost of sales		**(162,907)**	(104,840)
Gross profit		**44,033**	14,378
Other income		**7,688**	3,813
Selling and distribution costs		**(24,796)**	(4,780)
Administrative expenses		**(38,290)**	(22,997)
Other operating expenses		**(5,856)**	(82)
Finance costs	6	**(1,387)**	(2,261)
Loss before income tax	5	**(18,608)**	(11,929)
Income tax expense	7	**(4,686)**	(288)
Loss for the period		**(23,294)**	(12,217)
Profit/(Loss) for the period attributable to:			
Owners of the Company		**(23,905)**	(12,217)
Non-controlling interests		**611**	–
		(23,294)	(12,217)
Loss per share attributable to the equity holders of the Company			
Basic	8	**(HK1.44 cents)**	(HK1.24 cents)



Condensed Consolidated Statement of Comprehensive Income

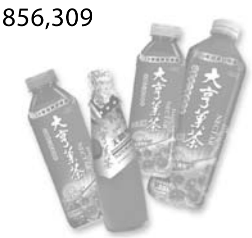
For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(23,294)**	(12,217)
Other comprehensive income		
Exchange differences on translation of foreign operations	**19,807**	1,346
Other comprehensive income for the period, net of tax	**19,807**	1,346
Total comprehensive loss for the period	**(3,487)**	(10,871)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	**(5,784)**	(10,871)
Non-controlling interests	**2,297**	–
	(3,487)	(10,871)

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	**As at 30 June 2011 HK$'000 (Unaudited)**	As at 31 December 2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**183,618**	186,116
Prepaid land premiums		**5,085**	5,161
Deposits paid for acquisition of property, plant and equipment		**25,253**	–
Interests in associates	11	**–**	–
Intangible assets	12	**180,111**	180,632
Goodwill	13	**275,624**	267,716
Loan receivable		**–**	35
Total non-current assets		**669,691**	639,660
Current assets			
Inventories	14	**156,046**	84,515
Prepaid land premiums		**146**	146
Trade receivables	15	**113,485**	86,814
Prepayments, deposits and other receivables		**50,567**	14,192
Loan receivable		**–**	180
Derivative financial instruments		**2,766**	1,729
Pledged bank deposits		**45,393**	14,243
Cash and cash equivalents	16	**270,975**	234,781
		639,378	436,600
Non-current assets held for sale		**–**	22,616
Total current assets		**639,378**	459,216
Current liabilities			
Trade payables	17	**75,438**	68,805
Other payables and accruals	18	**70,280**	105,931
Derivative financial instruments		**395**	223
Interest-bearing bank loans		**127,247**	60,783
Tax payable		**4,628**	6,825
Total current liabilities		**277,988**	242,567
Net current assets		**361,390**	216,649
Total assets less current liabilities		**1,031,081**	856,309



Condensed Consolidated Statement of Financial Position

As at 30 June 2011

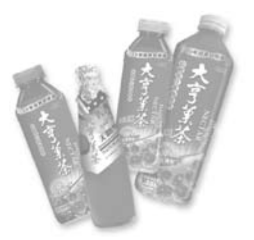
	Notes	**As at 30 June 2011** ***HK$'000*** **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Non-current liabilities			
Other payables	18	**22,409**	–
Deferred tax liabilities		**46,811**	47,661
		69,220	47,661
Net assets		**961,861**	808,648
Equity attributable to equity holders of the Company			
Share capital	20	**168,641**	153,641
Reserves		**763,091**	627,175
		931,732	780,816
Non-controlling interests		**30,129**	27,832
Total equity		**961,861**	808,648

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund* HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Equity component of convertible bonds HK$'000	Equity attributable to the equity holders of the Company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
(Unaudited)										
At 1 January 2011	**153,641**	**542,803**	**42,959**	**8,168**	**37,361**	**(4,116)**	**–**	**780,816**	**27,832**	**808,648**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**18,121**	**(23,905)**	**–**	**(5,784)**	**2,297**	**(3,487)**
Issue of shares *(note 20)*	**15,000**	**142,500**	**–**	**–**	**–**	**–**	**–**	**157,500**	**–**	**157,500**
Share issue expenses *(note 20)*	**–**	**(800)**	**–**	**–**	**–**	**–**	**–**	**(800)**	**–**	**(800)**
Revaluation realised	**–**	**–**	**(4,459)**	**–**	**–**	**4,459**	**–**	**–**	**–**	**–**
At 30 June 2011	**168,641**	**684,503**	**38,500**	**8,168**	**55,482**	**(23,562)**	**–**	**931,732**	**30,129**	**961,861**
(Unaudited)										
At 1 January 2010	53,451	54,590	46,640	6,408	24,740	6,814	–	192,643	–	192,643
Total comprehensive income/ (loss) for the period	–	–	–	–	1,346	(12,217)	–	(10,871)	–	(10,871)
Issue of shares	10,600	95,400	–	–	–	–	–	106,000	–	106,000
Issue of convertible bonds *(note 19)*	–	–	–	–	–	–	10,545	10,545	–	10,545
Conversion of convertible bonds *(note 19)*	65,790	182,192	–	–	–	–	(10,545)	237,437	–	237,437
Share issue expenses	–	(2,130)	–	–	–	–	–	(2,130)	–	(2,130)
Revaluation realised	–	–	(615)	–	–	615	–	–	–	–
At 30 June 2010	129,841	330,052	46,025	6,408	26,086	(4,788)	–	533,624	–	533,624

* 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.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Note	**For the six months ended 30 June** **2011** ***HK$'000*** **(Unaudited)**	2010 *HK$'000* (Unaudited)
Net cash outflow from operating activities		**(142,127)**	(45,110)
Net cash (outflow)/inflow from investing activities		**(14,973)**	1,855
Net cash inflow from financing activities		**192,337**	367,269
Net increase in cash and cash equivalents		**35,237**	324,014
Exchange gain from re-translating cash and cash equivalents		**957**	116
Cash and cash equivalents at beginning of period		**234,781**	62,207
Cash and cash equivalents at end of period		**270,975**	386,337
Analysis of balances of cash and cash equivalents			
Cash and bank balances	16	**270,975**	386,337
		270,975	386,337

1. CORPORATE INFORMATION

China Tycoon Beverage Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the period under review, the Company and its subsidiaries (the "Group") were engaged in the manufacturing and trading of hard and stuffed toys and manufacturing and sales of beverage products.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard No. 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The basis of preparation and accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010 except as described in note 3 below.

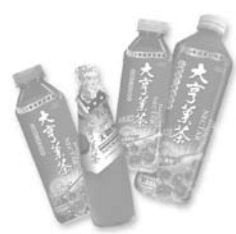
These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

3. IMPACT OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied, for the first time, the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these financial statements.



3. IMPACT OF NEW HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in these financial statements. The Group has commenced an assessment of the impact of these new standards and interpretations but is not yet in a position to state whether they would significantly impact its results of operations and financial position.

4. SEGMENT INFORMATION

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:

(a) the manufacturing and trading of hard and stuffed toys; and

(b) 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, interest income, amortisation of intangible assets, fair value gain on derivatives financial instruments, finance costs 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 derivative financial instruments, other corporate liabilities and deferred tax 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.

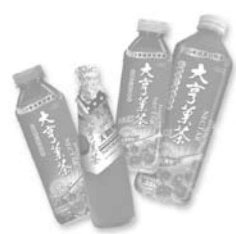
No asymmetrical allocations have been applied to reportable segments.

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

4. SEGMENT INFORMATION (continued)

(a) Business segments

	Manufacturing and trading of hard and stuffed toys For the six months ended 30 June		Manufacturing and sales of beverage products For the six months ended 30 June		Total For the six months ended 30 June	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Reportable segment revenue						
Revenue from external customers	**133,210**	119,218	**73,730**	–	**206,940**	119,218
Reportable segment gross profit	**4,784**	14,378	**39,249**	–	**44,033**	14,378
Reportable segment profit/(loss)	**(15,285)**	(6,774)	**7,200**	–	**(8,085)**	(6,774)
Other segment information:						
Depreciation on property, plant and equipment	**4,890**	5,108	**3,059**	–	**7,949**	5,108
Amortisation of prepaid land premiums	**76**	135	**–**	–	**76**	135
Loss on disposal of property, plant and equipment, net	**64**	82	**–**	–	**64**	82
Gain on disposal of non-current assets held for sale	**(631)**	(1,654)	**–**	–	**(631)**	(1,654)
Provision for slow-moving, obsolete and defective inventories	**3,973**	752	**–**	–	**3,973**	752
Capital expenditure	**1,295**	4,166	**2,090**	–	**3,385**	4,166



4. SEGMENT INFORMATION (continued)

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

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax		
Reportable segment loss	**(8,085)**	(6,774)
Interest income	**1,536**	280
Amortisation of intangible assets	**(5,792)**	–
Fair value gains on derivative financial instruments – transactions not qualifying as hedges, net	**865**	–
Other corporate expenses	**(5,745)**	(3,174)
Finance costs	**(1,387)**	(2,261)
Loss before income tax	**(18,608)**	(11,929)

	Manufacturing and trading of hard and stuffed toys		Manufacturing and sales of beverage products		Total	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Assets						
Reportable segment assets	**316,290**	278,877	**214,893**	117,773	**531,183**	396,650
Intangible assets					**180,111**	180,632
Goodwill					**275,624**	267,716
Derivative financial instruments					**2,766**	1,729
Other corporate assets					**319,385**	252,149
					1,309,069	1,098,876
Liabilities						
Reportable segment liabilities	**95,570**	105,330	**72,482**	68,411	**168,052**	173,741
Derivative financial instruments					**395**	223
Other corporate liabilities					**131,950**	68,603
Deferred tax liabilities					**46,811**	47,661
					347,208	290,228

4. SEGMENT INFORMATION (continued)

(c) Geographical information

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

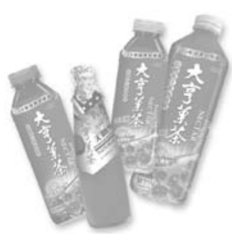
	Revenue from external customers For the six months ended 30 June		Non-current assets	
			As at 30 June	As at 31 December
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
United States	**103,977**	100,538	**–**	–
Japan	**18,942**	13,995	**–**	–
Hong Kong and Mainland China (domicile)	**82,077**	4,685	**669,691**	639,660
Others	**1,944**	–	**–**	–
	206,940	119,218	**669,691**	639,660

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.

(d) Information about major customers

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The largest customer	**84,976**	87,517
Second largest customer	**27,767**	13,416
Third largest customer	**12,902**	6,957
Others*	**81,295**	11,328
	206,940	119,218

* These include sales to all other customers who individually accounted for less than 10% of total revenue.



5. LOSS BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**158,934**	104,088
Provision for slow-moving, obsolete and defective inventories	**3,973**	752
Depreciation*	**8,050**	5,244
Amortisation of intangible assets***	**5,792**	–
Amortisation of prepaid land premiums	**76**	135
Loss on disposal of property, plant and equipment, net***	**64**	82
Gain on disposal of non-current assets held for sale**	**(631)**	(1,654)
Interest income	**(1,536)**	(280)
Fair value gains on derivative financial instruments – transactions not qualifying as hedges, net**	**(865)**	–

* Depreciation of HK$4,384,000 (30 June 2010: HK$1,824,000) was also included in "Cost of inventories sold".

** This item is included in "Other income" in the consolidated income statement.

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	**1,387**	878
Convertible bond interest expenses *(note 19)*	**–**	1,326
Others	**–**	57
	1,387	2,261

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong	**13**	20
Current – Mainland China	**5,299**	236
Deferred tax (credit)/charge	**(626)**	32
Income tax expenses	**4,686**	288

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

The calculation of basic loss per share amounts is based on the loss for the period attributable to equity holders of the Company of HK$23,905,000 (30 June 2010: HK$12,217,000) and the weighted average number of ordinary shares of 1,654,917,016 (30 June 2010: 982,322,080) in issue during the period, as adjusted to reflect the shares issued during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2011 and 2010 in respect of dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

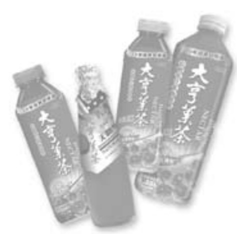
9. DIVIDENDS

No dividends were declared during the six months ended 30 June 2011 (30 June 2010: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for plant and machinery, furniture, fixtures and office equipment and motor vehicles of approximately HK$3,963,000 (30 June 2010: HK$4,639,000).

The Group disposed of property, plant and equipment of approximately HK$131,000 during the period (30 June 2010: HK$96,000).



11. INTERESTS IN ASSOCIATES

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Share of net assets	**–**	–
Goodwill on acquisition	**4,964**	4,964
	4,964	4,964
Allowance for impairment	**(4,964)**	(4,964)
	–	–

The Group's trade receivable from an associate is disclosed in note 15 to the financial statements.

The Group has discontinued the recognition of its share of losses of its associates because the share of losses of these associates exceeded the Group's interests in these associates. Full impairment had been made as these associates were in financial difficulty. The associates are currently in the process of creditors' liquidation.

12. INTANGIBLE ASSETS

	Golf Club membership	**Trademark**	**Customer relationships**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net carrying amount at 1 January 2011 (audited)	450	173,429	6,753	180,632
Amortisation	–	(4,500)	(1,292)	(5,792)
Exchange realignment	–	5,083	188	5,271
Net carrying amount at 30 June 2011 (unaudited)	450	174,012	5,649	180,111

The trademark and customer relationships were resulted from the acquisition of a new beverage business in last year. The fair value of the trademark and customer relationships were approximately HK$172,684,000 and HK$7,439,000, respectively at acquisition date and are based on the valuation report issued by an independent firm of qualified valuers.

13. GOODWILL

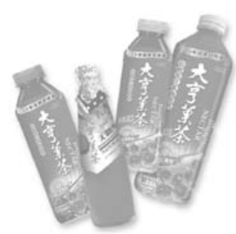
The goodwill was resulted from the acquisition of a new beverage business in last year. The change in the carrying amount of the goodwill was solely due to change in the exchange rate used in the translation.

14. INVENTORIES

	As at 30 June 2011 ***HK$'000*** **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Raw materials	**76,738**	35,413
Work in progress	**52,857**	36,147
Finished goods	**26,451**	12,955
	156,046	84,515

15. TRADE RECEIVABLES

	As at 30 June 2011 ***HK$'000*** **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Trade receivables	**127,866**	101,195
Less: allowance for impairment	**(14,381)**	(14,381)
	113,485	86,814



15. TRADE RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 14 to 90 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 (31 December 2010: HK$14,381,000), 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 the end of reporting period, based on the invoice date and net of allowance, is as follows:

	As at 30 June 2011 ***HK$'000*** **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Within 30 days	**61,539**	57,226
31 to 90 days	**34,859**	28,834
Over 90 days	**17,087**	754
	113,485	86,814

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 30 June 2011, there was an allowance of HK$14,381,000 (31 December 2010: HK$14,381,000) which was brought forward from prior year. The allowance for impairment of trade receivables above represents a full allowance made for a trade receivable of HK$14,381,000 (31 December 2010: HK$14,381,000). 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.

16. CASH AND CASH EQUIVALENTS

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cash and bank balances	**270,975**	234,781

17. TRADE PAYABLES

The aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**52,970**	24,839
31 to 90 days	**17,259**	21,980
Over 90 days	**5,209**	21,986
	75,438	68,805

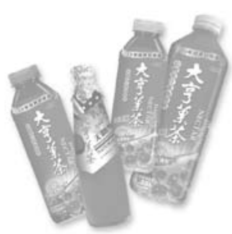
The trade payables are non-interest bearing and normally offered with 30 to 90 days' credit terms.

18. OTHER PAYABLES AND ACCRUALS

Included in other payables was an amount of HK$22,409,000 (31 December 2010: HK$35,040,000) payable for acquisition of property, plant and equipment for beverage business.

19. CONVERTIBLE BONDS

On 9 February 2010, a convertible bond in principal amount of HK$120,000,000 was issued to Right Perfect Limited ("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.



19. 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. 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 shareholder’s 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 for the six months ended 30 June 2010 from the issue date to 30 June 2010 are as follows:

	Liability component of convertible bonds	**Equity component of convertible bonds**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Principal amount of convertible bonds issued	239,344	10,656	250,000
Direct transaction costs attributable	(2,489)	(111)	(2,600)
Interest expenses *(note 6)*	1,326	–	1,326
Interest paid for the period	(744)	–	(744)
Conversion of convertible bonds	(237,437)	(10,545)	(247,982)
At 30 June 2010	–	–	–

During the reporting period, the Group had no convertible bonds in issue.

20. SHARE CAPITAL

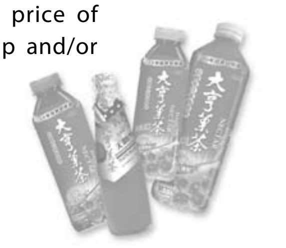
	Company	
	As at 30 June 2011 *HK$'000* (Unaudited)	As at 31 December 2010 *HK$'000* (Audited)
Authorised:		
7,000,000,000 ordinary shares of HK$0.10 each	**700,000**	700,000
Issued and fully paid:		
1,686,408,729 (2010: 1,536,408,729) ordinary shares of HK$0.10 (2010: HK$0.10) each	**168,641**	153,641

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

	Number of shares in issue	**Issued share capital *HK$'000* (Unaudited)**	**Share premium account *HK$'000* (Unaudited)**	**Total *HK$'000* (Unaudited)**
At 1 January 2011	1,536,408,729	153,641	542,803	696,444
Issue of shares *(Note)*	150,000,000	15,000	142,500	157,500
	1,686,408,729	168,641	685,303	853,944
Share issue expenses *(Note)*	–	–	(800)	(800)
At 30 June 2011	1,686,408,729	168,641	684,503	853,144

Note:

The Company entered into a share placing agreement and a share placing supplemental agreement with a placing agent on 29 September 2010 and 8 October 2010 respectively 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. The net proceeds of this placing of approximately HK$156,700,000 (equivalent to a net price of approximately HK$1.04 per share) would be used for general working capital of the Group and/or opportunistic investments if suitable opportunities arise in the future.



21. 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 shareholders of the Company 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 under the Scheme since its adoption.

22. CONTINGENT LIABILITIES

As at 30 June 2011 and 31 December 2010, the Company and the Group had no significant contingent liability.

23. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Contracted for:		
Property, plant and equipment	**25,253**	–

24. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**2,121**	660
Post-employment benefits	**49**	21
Total compensation paid to key management personnel	**2,170**	681

The above amounts represented remuneration paid to directors during the period.

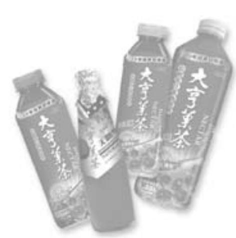
(b) Outstanding balances with related parties

	Due from related parties	
	As at	As at
	30 June	31 December
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Associate *(Note)*	**14,381**	14,381

Note: The amount due from the Group's associate, which is repayable on similar credit terms to those offered to major customers of the Group, is included in the Group's trade receivables. The amount due from the associate is not expected to be recovered and full provision for impairment has been made as the associate is in the process of creditors' voluntary liquidation.

25. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 26 August 2011.



BUSINESS REVIEW

The Board is pleased to report that the Group's results for the period demonstrated the management's continuous efforts in developing the business of the Group. For the six months ended 30 June 2011, the Group's turnover and gross profit was HK$206,940,000 (30 June 2010: HK$119,218,000) and HK$44,033,000 (30 June 2010: HK$14,378,000), increased by 74% and 206% respectively when compared to the corresponding period last year. Such increases were mainly contributed by the encouraging results recorded by the beverage division that was newly acquired by the Group in September 2010.

During the current interim period, the Group's beverage division continued to focus on the manufacturing and sales of hawthorn drink products under the "Daheng" brand. The Daheng classic hawthorn fruit tea series, which has been well received by the market because of its natural, fruity and nutritious ingredients, is currently the core product line of the division. Build on the success of the classic hawthorn fruit tea series, the division has, as part of its product development plan, recently launched a new product line, the Daheng hawthorn tea series, which has a lighter and refreshing flavour. It is anticipated that the Daheng hawthorn tea series will be more appealing to consumers in the southern part of Mainland China where the climate is generally warmer and will give a boost to the division's sales in the region. The division is progressively expanding its distribution network and has successfully expanded its market coverage from the northern part of Mainland China to the eastern, southern and central regions. As of 30 June 2011, the division has established 22 sales offices in major cities in Mainland China and has over 600 distributors located throughout the country, compared to approximately 160 distributors as of 31 December 2010. To cope with the division's business expansion plan, the division held various promotional sales events and advertised on the Beijing and Tianjian TV channels during the Chinese New Year period. The market responses were overwhelming and the events and advertisements also reinforced the healthy image of Daheng brand beverage products among consumers. The promotional expenses incurred, the enlarged distribution network and the additional manpower employed had led to the increases of selling, distribution and administrative expenses of the division, which also mainly accounted for the 4.2 times increase of the Group's selling and distribution costs to HK$24,796,000 (30 June 2010: HK$4,780,000); and the 66% increase of the Group's administrative expenses to HK$38,290,000 (30 June 2010: HK$22,997,000). For the six months period ended 30 June 2011, the beverage division reported revenue, gross profit and segment profit of HK$73,730,000, HK$39,249,000 and HK$7,200,000 respectively. These results are encouraging and the management is optimistic about the performance of the beverage division for the remainder of the year.

In contrast, the operating conditions facing by the Group's toys division are more challenging. For the current period, notwithstanding that the division managed to achieve a 12% growth of its revenue to HK$133,210,000 (30 June 2010: HK$ 119,218,000), the division's gross profit decreased by 67% to HK$4,784,000 (30 June 2010: HK$14,378,000), gross profit margin decreased to 3.6% (30 June 2010: 12.1%), and incurred segment loss of HK$15,285,000 (30 June 2010: HK$6,774,000). The drop of the division's gross profit was mainly attributed to (i) the sluggish market conditions in the United States and Europe markets which significantly drove down profit margin; (ii) the increase in price

of raw materials including cotton and plastic for toys products; and (iii) the increase in division's direct labour costs as a result of the increase in the minimum monthly wage in Mainland China. It is expected that the operating conditions for the toys division will continue to be challenging for the rest of the year. The management is now considering various measures to further tighten control on production costs and enhance operating efficiency with the view to improve performance of the division.

As a whole, for the six months ended 30 June 2011, the Group incurred a loss attributable to owners of the Company of HK$23,905,000 (30 June 2010: HK$12,217,000), representing a loss per share of HK1.44 cents (30 June 2010: HK1.24 cents). The Group's total comprehensive loss for the period amounted to HK$3,487,000 (30 June 2010: HK$10,871,000), which included an exchange gain of HK$19,807,000 (30 June 2010: HK$1,346,000) on translation of foreign operations.

FINANCIAL REVIEW

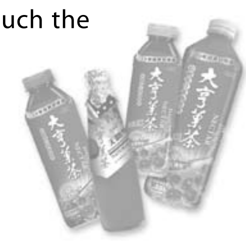
Liquidity, Financial Resources and Capital Structure

At 30 June 2011, the Group had current assets of HK$639,378,000 (31 December 2010: HK$459,216,000) and liquid assets comprising cash of HK$270,975,000 (31 December 2010: HK$234,781,000) (excluding pledged bank deposits for bank loans). The Group's current ratio, calculated based on current assets of HK$639,378,000 over current liabilities of HK$277,988,000, was at a strong ratio of 2.3 at the period end (31 December 2010: ratio of 1.89). The improvement in current ratio was mainly due to the issuance of 150,000,000 new shares through shares placing in February 2011, which resulted in gross proceeds of HK$157,500,000 being raised. The Group's bank loans as at 30 June 2011 were mainly denominated in Hong Kong dollars, Renminbi and United States dollars and in the proportion of 60%, 4% and 36% respectively. All bank loans are matured within one year, out of which 64% bore fixed rate interest and the remaining 36% bore floating rate interest.

At 30 June 2011, equity attributable to equity holders of the Company was HK$931,732,000 (31 December 2010: HK$780,816,000), increased by 19% when compared to the last year end which was mainly a result of the new shares issued as discussed above.

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 foreign currency exposures.

The Group finances its operations through a combination of bank financing and shareholder's equity. The Group's gearing ratio is determined as its net debt divided by total capital plus net debt where net debt includes trade payables, other payables and accruals and interest-bearing bank loans 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 Group was in net cash position as at 30 June 2011 and 31 December 2010, as such the gearing ratios of the Group were not determined.



The Group maintained a very strong financial position with ample surplus cash and sufficient undrawn committed facilities to support the Group's business operations. 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 Hong Kong Dollars, Renminbi and United States dollars. The Group maintains a prudent position in its foreign currency risk management. To a large extent, foreign exchange risks are minimized by matching the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. When consider appropriate, the Group will enter into 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

As at 30 June 2011, the Group's certain leasehold land and buildings in Mainland China (including prepaid land premiums) with aggregate carrying amount of approximately HK$100,474,000 (31 December 2010: HK$101,307,000) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2011, bank deposits of HK$45,393,000 (31 December 2010: HK$14,243,000) were pledged to secure the Group's interest-bearing bank loans.

Contingent Liabilities

As at 30 June 2011, the Group had no significant contingent liability (31 December 2010: nil).

Capital Commitment

As at 30 June 2011, the Group had capital commitment of HK$25,253,000 (31 December 2010: nil) in respect of acquisition of machinery and equipment.

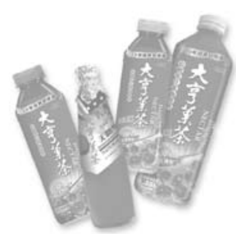
EMPLOYEES

As at 30 June 2011, the Group had a total of approximately 5,870 (31 December 2010: 4,920) 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.

PROSPECTS

Looking ahead, the management is optimistic about the performance of the beverage division in the coming years. It is anticipated that the continuous growth of the Mainland China economy and the rising income level of the population will create a favourable business environment for the Group's beverage business to grow. The Group will continue to focus on the development of new beverage products to meet customers' expectations. Further, the Group will employ flexible and effective marketing strategies to maximize sales efforts aiming to enlarge market share and promote the "Daheng" brand image.

As to the toys business, in light of the challenging market conditions in the United States and Europe markets, the Group will adopt various measures aiming to further tighten control on production costs and enhance operating efficiency with the view to improve the performance of the division.



INTERIM DIVIDEND

The Board of Directors (the "Board") of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2011 (30 June 2010: nil).

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

As at 30 June 2011, 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 the Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 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 and approved by shareholders of the Company 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 since its adoption.

Further details of the Scheme are as disclosed in the Company's 2010 Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the six months ended 30 June 2011 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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2011, 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	36.51%
Edmond de Rothschild Asset Management	Investment manager	160,000,000	9.49%

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 30 June 2011 as required pursuant to section 336 of the SFO.

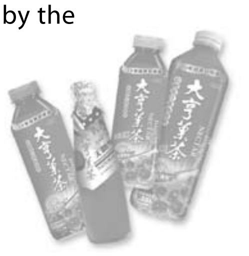
CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011.

MODEL CODE FOR 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. 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 six-month period ended 30 June 2011.

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.

UPDATE ON DIRECTORS' INFORMATION

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

Subsequent to the reporting period, Mr. Shi Zhiqiang, an executive director of the Company, was appointed as a director of 天津大亨食品銷售有限公司 and 山枝（天津）飲料銷售有限公司, the subsidiaries of the Company, which were incorporated in the People's Republic of China.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the Company's interim report for the six months ended 30 June 2011.

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2011 has not been audited, but has been reviewed by the Audit Committee of the Company.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

On behalf of the Board

Lo Ming Chi, Charles
Deputy Chairman and Chief Executive Officer

Hong Kong, 26 August 2011