金六福投資有限公司*

JLF Investment Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 472)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board of directors (the "Board") of JLF Investment Company Limited (the "Company") announces herewith the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008 as follow:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	**2009** ***HK$'000***	2008 *HK$'000*
Turnover	*3*	**259,650**	201,373
Cost of sales		**(121,628)**	(110,796)
Gross profit		**138,022**	90,577
Other revenue		**4,200**	5,076
Selling and distribution costs		**(61,257)**	(24,884)
Administrative expenses		**(30,303)**	(29,099)
Profit from operating activities	*5*	**50,662**	41,670
Finance costs	*6*	**(4,694)**	(4,140)
Profit before taxation		**45,968**	37,530
Taxation	*7*	**(10,707)**	(8,307)
Profit for the year		**35,261**	29,223
Attributable to:			
Equity holders of the Company		**29,500**	24,252
Non-controlling interests		**5,761**	4,971
		35,261	29,223
Dividend	*8*	**–**	–
Profit per share attributable to the equity holders of the Company	*9*		
Basic and diluted		**HK2.12 cents**	HK1.76 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit for the year		**35,261**	29,223
Other comprehensive income			
Exchange differences arising on			
– translation of foreign operations		**1,059**	10,240
– release upon winding up of subsidiaries		**–**	(44)
		1,059	10,196
Total comprehensive income for the year		**36,320**	39,419
Attributable to:			
Equity holders of the Company		**30,559**	34,306
Non-controlling interest		**5,761**	5,113
Total comprehensive income for the year		**36,320**	39,419

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Land use rights		**28,576**	29,135
Property, plant and equipment		**130,825**	116,640
Intangible assets		**36,233**	37,074
Goodwill	*10*	**177,959**	177,959
		373,593	360,808
Current assets			
Inventories		**107,228**	88,563
Trade and bills receivables	*11*	**27,254**	5,119
Prepayment, deposit and other receivables		**42,018**	28,884
Bank balances and cash		**90,528**	71,747
		267,028	194,313
Total assets		**640,621**	555,121

	Notes	**2009**	2008
		HK$'000	*HK$'000*
EQUITY			
Capital and reserve attributable to the Company's equity holders			
Share capital		**13,904**	13,904
Reserves		**375,115**	344,556
		389,019	358,460
Non-controlling interests		**59,832**	54,071
Total equity		**448,851**	412,531
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year		**22,727**	–
Deferred tax liabilities		**19,959**	19,854
		42,686	19,854
Current liabilities			
Trade payables	*12*	**29,538**	17,386
Accruals, deposit received and other payables		**29,158**	25,443
Amounts due to related parties		**10,576**	16,475
Bank borrowings – due within one year		**73,864**	56,529
Tax payable		**5,948**	6,903
		149,084	122,736
Total liabilities		**191,770**	142,590
Total equity and liabilities		**640,621**	555,121
Net current assets		**117,944**	71,577
Total assets less current liabilities		**491,537**	432,385

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for current accounting periods for the Group and the Company.

HKFRSs (Amendments)	Improvement to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for the annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvement to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKFRS 1 & HKAS 27	Amendment to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled (Amendments) Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations arising on liquidation
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from customers

Except as described below, the adoption of the new and revised HKFRSs had no material impact on the consolidated financial statements of the Group for the current and prior accounting period.

HKFRS (Amendments) set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments are effective for annual periods beginning on or after 1 January 2009 although there is separate transitional provision for each standard.

HKFRS 7 Amendments require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The Group has take advantage of the transition provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduced the statement of comprehensive income, it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs in 2008[1]
HKFRSs (Amendments)	Improvement to HKFRSs issued in 2009[2]
HKFRS 1 (Amendment)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter[3]
HKFRS 2 (Amendment)	Amendments to HKFRS 2 Share-based Payments – Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HKAS 24	Related party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendment that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in parent ownership interest in a subsidiary.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs and anticipates that the application of these new standards, amendments or interpretations is unlikely to have a significant impact on the results and the financial position of the Group and the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. TURNOVER

	2009	2008
	HK$'000	*HK$'000*
Production and distribution of wine	**165,567**	138,405
Production and distribution of Chinese liquor	**94,083**	62,968
	259,650	201,373

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar products. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has two reportable segments, (i) production and distribution of wine and (ii) production and distribution of Chinese Liquor. The segmentations are based on the information about the operation of the Group that the management uses to make decisions.

Segment revenue and results

The following is an analysis of the Group's revenues and results by reportable segment for the current and prior year:

	Chinese liquor		Wine		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**94,083**	62,968	**165,567**	138,405	**259,650**	201,373
Segment results	**20,201**	14,030	**38,939**	32,295	**59,140**	46,325
Unallocated corporate income					**163**	5,076
Unallocated corporate expenses					**(8,641)**	(9,731)
Finance cost					**(4,694)**	(4,140)
Profit before taxation					**45,968**	37,530
Taxation					**(10,707)**	(8,307)
					35,261	29,223

The accounting policies of the reportable segments are the same as the Group's accounting policies. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment results represented the profits earned by each segment with allocation of central administration costs, directors' salaries, finance cost and taxation.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Chinese liquor		Wine		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**236,462**	183,490	**384,469**	343,723	**620,931**	527,213
Unallocated					**19,690**	27,908
					640,621	555,121
Segment liabilities	**14,774**	15,742	**58,766**	48,900	**73,540**	64,642
Unallocated					**118,230**	77,948
					191,770	142,590

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments except for other financial assets which are managed on a group basis. Goodwill is allocated to reportable segments as described in note 10; and all liabilities are allocated to reportable segments except for bank borrowings, deferred tax liabilities and other financial liabilities which are managed on a group basis.

Other information

The following is an analysis of the Group's other segment information:

	Chinese liquor		Wine		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure	**13,207**	651	**10,254**	3,931	**23,461**	4,582
Depreciation of property, plant and equipment	**2,861**	2,858	**6,596**	6,038	**9,457**	8,896
Amortisation of land use rights	**498**	497	**210**	197	**708**	694
Amortisation of intangible assets	**11**	21	**1,110**	1,213	**1,121**	1,234
Provision on impairment loss of trade and other receivables	**2,841**	–	**25**	266	**2,866**	266
Provision for obsolete inventories	**–**	–	**147**	315	**147**	315

Information about major customers

The following is an analysis of revenue from customers contributing over 10% of the total sales of the Group for the current and prior year:

	Total	
	2009	2008
	HK$'000	*HK$'000*
Customer A	**–**	33,906
Customer B	**32,164**	–

Geographical information

Over 90% of the Group's turnover and results were derived from the People's Republic of China (the "PRC"). Accordingly, no geographical segment analysis is presented for the year.

As at the end of reporting period, over 90% of the identifiable assets of the Group were located in the PRC. Accordingly, no geographical segment analysis on the carrying amount of segment assets or additions to property, plant and equipment is presented.

5. EXPENSES BY NATURE

	2009	2008
	HK$'000	*HK$'000*
Expenses included in cost of sales, selling and distribution costs and administrative expenses are analysed as follows:		
Staff costs, including directors' remuneration		
– Basic salaries and allowances	**21,462**	16,543
– Retirement benefits scheme contributions	**58**	63
Total staff costs	**21,520**	16,606
Auditors' remuneration	**965**	1,100
Amortisation of intangible assets	**1,121**	1,234
Amortisation of land use rights	**708**	694
Cost of inventories recognised as expenses	**98,118**	93,413
Provision for obsolete inventories	**147**	315
Provision on impairment loss of trade and other receivables	**2,866**	266
Loss on winding up of subsidiaries	**–**	492
Depreciation	**9,457**	8,896
Research and development cost	**549**	26
Minimum lease payments under operating leases:		
Land and building	**2,273**	1,935

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**4,529**	3,328
Bank charges	**165**	812
	4,694	4,140

7. TAXATION

	2009	2008
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**–**	–
The PRC Enterprise Income Tax		
– current year	**10,688**	9,048
– under-provision in prior year	**19**	–
	10,707	9,048
Deferred tax		
Attributable to change in tax rate	**–**	(741)
	10,707	8,307

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group and the Company has no assessable profit derived from Hong Kong for the year.

As at 31 December 2009, the Group had unused tax losses of approximately HK$43 million (2008: HK$38 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

The PRC Enterprise Income Tax

Pursuant to the relevant rules and regulations in the PRC, Shangri-La Winery Company Limited and Diqing Shangri-La Economics Development Zone Tinlai Winery Company Limited, being subsidiaries of the Company, are entitled to an exemption from the PRC enterprise income tax for the period from 1 January 2006 to 31 December 2007 and a 50% reduction for the next consecutive three years (the "Tax Exemption Period"). The Tax Exemption Period will expire in 2010.

Shangri-La (Qinhuangdao) Winery Limited ("Shangri-La (Qinhuangdao)"), a subsidiary of the Company which is a foreign investment enterprise established in the Coastal Open Economics Region of Qinhuangdao, the PRC, is subject to preferential enterprise income tax rate of 24% and is entitled to full exemption from the PRC enterprise income tax for two years starting from its first profit-making year and a 50% reduction for the next consecutive three years under the relevant tax rules applicable to foreign investment enterprise in the PRC. Shangri-La (Qinhuangdao) has been reported its first year profit since its establishment.

The tax rate applicable for all other subsidiaries in the PRC is 25% (2008: 25%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National people's Congress passed the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law") which became effective on 1 January 2008, when the income tax rules and regulations of the PRC applicable to foreign investment enterprises (the "FEIT Law") was abolished. The New Tax Law adopts a uniform tax of 25% of all enterprises in the PRC including foreign investment enterprises.

Pursuant to the transitional arrangements under the New Tax Law, the above mentioned PRC subsidiaries which is in the Tax Exemption Period will continue to enjoy the tax-exemption or 50% reduction in the applicable income tax rate until the expiry of the Tax Exemption Period previously granted under the FEIT Law, and thereafter it will subject to the unified rate of 25%.

Reconciliation between tax expenses and accounting profit at applicable tax rates

A reconciliation of the tax expenses applicable to profit/(loss) before taxation using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax expense/(income) 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:

The Group – 2009

	Hong Kong		**The PRC**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
(Loss)/profit before taxation	**(4,499)**		**50,467**		**45,968**	
Tax at the statutory tax rate	**(742)**	**(16.5)**	**12,617**	**25.0**	**11,875**	**25.8**
Tax effect of tax losses not recognised	**720**	**16.0**	**362**	**0.7**	**1,082**	**2.4**
Tax effect of income not taxable for tax purpose	**–**	**–**	**(324)**	**(0.6)**	**(324)**	**(0.7)**
Tax effect of expense not deductible for tax purpose	**22**	**0.5**	**3,128**	**6.2**	**3,150**	**6.9**
Effect of tax exemptions granted to the PRC subsidiaries	**–**	**–**	**(5,095)**	**(10.1)**	**(5,095)**	**(11.1)**
Under provision in prior year	**–**	**–**	**19**	**–**	**19**	**–**
Tax charge for the year	**–**	**–**	**10,707**	**21.2**	**10,707**	**23.3**

The Group – 2008

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	(8,766)		46,296		37,530	
Tax at the statutory tax rate	(1,446)	(16.5)	11,574	25.0	10,128	27.0
Tax effect of tax losses not recognised	1,596	18.2	763	1.6	2,359	6.3
Tax effect of income not taxable for tax purpose	(150)	(1.7)	(262)	(0.6)	(412)	(1.1)
Tax effect of expense not deductible for tax purpose	–	–	563	1.2	563	1.5
Effect of tax exemptions granted to the PRC subsidiaries	–	–	(3,590)	(7.8)	(3,590)	(9.6)
Effect of change in tax rate	–	–	(741)	(1.6)	(741)	(2.0)
Tax charge for the year	–	–	8,307	17.8	8,307	22.1

8. DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2009 and 2008.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per ordinary share is based on the following data:

(a) Basic earnings per share

	2009	2008
	HK$'000	*HK$'000*
Profit for the year attributable to the equity holders of the Company for the purpose of basic earnings per ordinary share	**29,500**	24,252
Weighted average number of shares for the purpose of basic earnings per ordinary share	**1,390,443,455**	1,380,183,300

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2009 and 2008 were the same as the basic earnings per share because there were no potential dilutive events in existence for both years.

10. GOODWILL

	HK$'000
Cost	
At 1 January 2008	10,924
Acquisition of subsidiaries	47,531
Acquisition of partial equity interest in subsidiaries	119,504
At 31 December 2008, 1 January 2009 and 31 December 2009	177,959
Impairment	
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	–
Carrying amount	
At 31 December 2009	**177,959**
At 31 December 2008	177,959

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to business as follows:

	2009	2008
	HK$'000	*HK$'000*
Wine business	**130,428**	130,428
Chinese liquor business	**47,531**	47,531
	177,959	177,959

Impairment test of goodwill

The recoverable amount of the above CGU of wine business and Chinese liquor business has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at discount rate of 8% per annum (2008: 7% per annum). Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the CGU's past performance and management's expectations for the market development.

The management of the Group determined that there is no impairment of goodwill at 31 December 2009 and 2008.

11. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2008: 30 to 90 days) to its trade customers which major customers with whom specific terms have agreed.

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Trade and bills receivables	**27,365**	5,209
Less: Provision for impairment loss of trade and bills receivables	**(111)**	(90)
	27,254	5,119

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follow:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**27,073**	5,026
More than 30 days and within 60 days	**–**	–
More than 60 days and within 90 days	**98**	–
More than 90 days and within 180 days	**83**	78
More than 180 days and within 360 days	**–**	15
At 31 December	**27,254**	5,119
Represented by:		
Receivables from related companies	**7,218**	–
Receivables from third parties	**20,036**	5,119
	27,254	5,119

12. TRADE PAYABLES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**25,767**	14,352
More than 90 days and within 180 days	**2,750**	1,519
More than 180 days and within 360 days	**1,021**	1,515
	29,538	17,386

Trade payables are non interest-bearing and have an average term of three months.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year 2009, the retail market in China was subject to the negative impact of the financial crisis that began to spread across the world in late 2008. The operating environment was quite challenging, especially in the first half of the year. Yet it allows an opportunity for us to gradually implement our business development strategy.

In terms of the operating results, the Group's revenue for the second half of the year shows a stronger trend as compared to the first half of the year. The rapid growth was attributable to the economy rebounce of China in the second half of the year. Seizing that opportunity, the Group has organised two major marketing events: The launching of Shangri-la's high plateau series products and to celebrate Heilongjiang Province Yu Quan Winery Company Limited ("Yu Quan")'s 50 year's anniversary. The marketing events were launched in order to capture the recovery opportunities resulted in enhancement of sales.

FINANCIAL INFORMATION AND LIQUIDITY

Sales

Our Group attained a sales of HK$260 million for 2009 (2008: HK$201 million), representing an increase of 29% over previous year. Wine and Chinese liquor accounted for HK$166 million and HK$94 million respectively. The increase was mainly contributed by the marketing events in the second half of the year.

Cost of Production

Cost of sales increased by 9.8% from HK$111 million in 2008 to HK$122 million in 2009. The increase was mainly as a result of the consolidation effect of Yu Quan acquisition.

Gross Profit

Gross profit increased by 52.4% from HK$90.6 million in 2008 to HK$138 million in 2009 due to growth in sales. Gross profit margin increased by 8.2 percentage points from 45.0% in 2008 to 53.2% in 2009 due to the increase of the Group's direct sales which has a higher gross profit contribution.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 146.2% from HK$24.9 million in 2008 to HK$61.3 million in 2009. The increase was mainly due to the consolidation of Yu Quan's sales team, which increased the costs of sales and relevant business costs. Selling and distribution expenses as a percentage of our sales increased by 11.2% to 23.6% in 2009. This was due to increase in marketing expenses in financing Shangri-la's new product launched in July 2009 and for Yu Quan's 50 anniversary celebration activities.

Administrative Expenses

Administrative expenses of our Group increased by 4.1% from HK$29.1 million in 2008 to HK$30.3 million in 2009 due to the acquisition of Yu Quan and higher inflationary pressure in the PRC. Administrative expenses as a percentage of our sales decreased by 2.7% to 11.7% in 2009.

Operating Profit

Our operating profit increased by 21.6% from HK$41.7 million in 2008 to HK$50.7 million in 2009. Operating profit margin decrease from 20.7% in 2008 to 19.5% in 2009 due to the increase in selling and distribution expenses.

Income Tax Expenses

Our income tax expenses increased from HK$8.3 million in 2008 to HK$10.7 million in 2009, primarily as a result of increasing in turnover and profit before tax.

Profit Attributable to Our Equity Holders

As a result of the above, the profit attributable to our equity holders in 2009 increased by 21.6% from HK$24.3 million in 2008 to HK$29.5 million in 2009. The margin of profit attributable to our equity holders decreased from 12.0% in 2008 to 11.4% in 2009 due to increase in selling and marketing expenses.

Liquidity and Capital Resources

Cash and bank borrowings

We generally finance our operations and capital expenditure by internally generated cash flows as well as banking facilities provided by our principal bankers. As at 31 December 2009, our bank balances and deposits amounted to HK$90.5 million (31 December 2008: HK$71.7 million) representing an increase of 26.2%. About 82.5% of our cash was denominated in Renminbi.

Our total borrowings as at 31 December 2009 increased by 70.9% to HK$96.6 million (31 December 2008: HK$56.6 million). All of our borrowings are denominated in Renminbi. The gearing ratio (total borrowings divided by total equity) increased to 21.5% as at 31 December 2009 from 13.7% as at 31 December 2008. We maintain sufficient cash and available banking facilities for our working capital requirements in future.

Cash flow

In 2009, our net cash flow increased by HK$18.8 million to HK$90.5 million.

Capital expenditure

For the year 2010, we have budgeted HK$50 million for capital expenditure, including mainly the capital expenditure to relocate our production facilities in Kunming. During the year 2009, our total capital expenditure amounted to HK$23.5 million (2008: HK$4.6 million). We spent approximate HK$17.0 million in the construction of new factory building and HK$4.7 million in addition of production facilities so as to further enhance our production capacity. The above capital expenditure was financed by internal generated resources.

Inventory analysis

Our inventory primarily consists of finished goods, goods in transit, work in progress for winery products as well as raw materials and packaging materials. The finished goods turnover ratio (closing average finished goods divided by cost of sales) was 88 days for the year ended 31 December 2009 (2008: 45 days).

Balance sheet analysis

As at 31 December 2009, the Group had total assets of HK$641 million (2008: HK$555 million) which was financed by current liabilities of HK$149 million (2008: HK$123 million), non-current liabilities of HK$42.7 million (2008: HK$19.9 million), shareholders' equity of HK$389 million (2008: HK$358 million) and non-controlling interests of HK$60 million (2008: HK$54 million).

The Group's current ratio as at 31 December 2009 was approximately 1.79 (2008: 1.58). Gearing ratio, representing the total borrowings divided by total equity, was approximately 21.5% (2008: 13.7%). The increase in gearing ratio was due to the increase in total borrowing.

Basic earnings per share attributable to the equity holders for the year ended 31 December 2009 was HK2.12 cents (2008: HK1.76 cents), increased by 20.5%.

Trade receivables turnover period (average trade receivables divided by turnover) was 23 days (2008: 18 days). The Group did not experience any material bad debts that required write off in 2009.

The Group has capital commitment amounted to HK$7 million (2008: Nil). The Group and the Company had no other material contingent liabilities as at 31 December 2009.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2009, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 29% (2008: 18%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 7% (2008: 7%).

The aggregate sales attributable to the Group's five largest customers for the year ended 31 December 2009 were approximately amounting to 26% (2008: 47%) and the sales attributable to the Group's largest customer was approximately 10.9% (2008: 14%).

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

GOVERNMENT SUBSIDIES AND TAXATION

In year 2009, the Group was granted HK$3.5 million (2008: HK$1.5 million) as subsidies from the local finance department in subsidizing the Group's technical development. Since 2006 the State Administration of Taxation (國家稅務總局) has approved Shangri-la Winery's profits tax exemption application allowing first 2 years tax exemption and the following three years half the normal rate at 12.5%. Year 2009 was the second year Shangri-la Winery is subject to 12.5% profits tax. Yu Quan is subject to normal profits tax rate of 25%.

DIVIDEND

The Board did not recommend payment of final dividend for the year ended 31 December 2009 (2008: nil).

PLEDGE OF ASSETS

At 31 December 2009, the Group pledged its land, property, plant and equipments with net book value amounting approximately HK$58 million (2008: HK$51 million) to secure general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

As most of the Group's revenue, expenses, assets and liabilities are denominated in Renminbi ("RMB"). There is natural hedge mechanism in place and currency exposure is relatively low. As such it does not anticipate material exchange risk and had not employed any financial instruments for hedging purposes.

The slow and moderate appreciation of the RMB regime against the US dollar has a positive but negligible impact on the Group. To enhance overall risk management for its expansion, the Group has already strengthened its treasury management capability and will closely monitor its currency and interest rate exposure.

EMPLOYEE INFORMATION

As at 31 December 2009, the Group employed a total of 875 (2008: 986) full-time employees mostly at the Group's subsidiary factories and sales offices. Out of total employment, 171 staff related to sales and marketing, 637 staff related to production and 36 staff related to management and 31 staff related to administration. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed bi-annually and annually. The Group also provides medical insurance coverage and provident fund schemes (as the case may be) to its employees depending on the location of such employees. The Company adopted a share option scheme (the "Scheme" on 16 September 2002) for the primary purpose of providing incentives to the directors and eligible employees. No options were granted under the Scheme since its adoption.

BUSINESS ENVIRONMENT

2009 was another year of challenges and opportunities. Against the backdrop of the H1N1 crisis in the early of the year and the financial tsunami which hit the world in the late 2008, China's economy outperformed others and maintained a moderate growth. Thanks to China's policy makers who executed a number of stimulus policies to promote investment and domestic consumption which allow the economy to pick up dramatically in the second half of the year.

According to the National Bureau of Statistics of China, the country's gross domestic product amounted to approximately RMB33,535 billion, rising by about 8.7% as compared to previous year. Disposable income per capita for urban and rural citizens grew by 9.8% and 8.5% respectively, to approximately RMB17,175 and RMB5,153, reflecting a continuous and steady growth in the income of Chinese urban and rural citizens.

The sustainable development of China's economy promoted domestic consumption. Benefited from the improvement in overall living standard, demand for high quality wine and liquor boosted, which resulted in increasing demand for our products.

PROSPECT

Solid results had been achieved in 2009 despite the challenging operating environment. Entering into the 2010, global economy will step into the post financial crisis period. China, having maintain its growth successfully, will assure micro adjustment to its economy to maintain stability. We believe the promotion of domestic consumption should be of the highest importance. Provided that policies for stimulating domestic consumption continually to be enhanced, wine and liquor, being one of the representative of traditional consumable products, shall benefit the most. The Group anticipates both the macroeconomic environment and consumer spending in the China will keep improving in 2010. Our implementation of the strategy to further expand our core winery businesses and to develop our leadership position will allow us to ride on the benefits emerging from the economic recovery.

Looking forward to 2010, the Group will adhere to its core corporate values and at the same time respond to market changes. The Group will strive to enhance its competitive edge by strengthening risk control and at the same time grasp new opportunities arise from the market changes. Benefitting from the core drive for economic development in China, the Group has confidence in consolidating its leading position and creating greater value for its shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. Ma Yong, Mr. E Meng and Mr. Cao Kuangyu.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements and report of the Group for the year ended 31 December 2009. The Audit Committee was content that the accounting policies of the Group are in accordance with current best practice in Hong Kong.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2009 with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules except that the chairman of the Board was unable to attend the 2009 annual general meeting held on 3 June 2009 due to business engagement in PRC.

By Order of the Board
JLF Investment Company Limited
Wu Xiang Dong
Chairman

Hong Kong, 8 April 2010

As at date of this announcement, the Board comprised Mr. Wu Xiang Dong, Mr. Yan Tao, Mr. Lu Tong, Mr. Sun Jian Xian, Mr. Shu Shi Ping and Mr. Zhang Jian as executive Directors, and Mr. Ting Leung Huel, Stephen, Mr. Ma Yong, Mr. Cao Kuangyu and Mr. E Meng as independent non-executive Directors.

* *For identification purpose only*