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金六福 投資有限公司*
JLF Investment Company Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 472)

Interim results announcement for the six months ended 30 June 2011

The board (the “**Board**”) of directors (the “**Directors**”) of JLF Investment Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2011, together with the comparative results for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	111,806	98,689
Cost of sales		(44,906)	(36,059)
Gross profit		66,900	62,630
Other revenue		1,476	6,402
Selling and distribution costs		(28,562)	(35,475)
Administrative expenses		(19,777)	(13,466)
Profit from operations	4	20,037	20,091
Finance costs		(1,150)	(2,981)
Profit before taxation		18,887	17,110
Taxation	5	(5,938)	(4,915)
Profit for the period		12,949	12,195

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Attributable to:			
Owners of the Company		10,703	9,607
Non-controlling interests		2,246	2,588
		<u>12,949</u>	<u>12,195</u>
Earnings per share for profit attributable to the owners of the Company during the period (expressed in HK cents)			
Basic and diluted	6	<u>HK 0.64 cents</u>	<u>HK0.59 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	12,949	12,195
Other comprehensive income		
Exchange differences arising on translation of foreign operations	<u>9,927</u>	<u>367</u>
Total comprehensive income for the period	<u>22,876</u>	<u>12,562</u>
Attributable to:		
Owners of the Company	19,902	9,974
Non-controlling interests	<u>2,974</u>	<u>2,588</u>
	<u>22,876</u>	<u>12,562</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights		29,340	28,824
Property, plant and equipment		189,877	171,458
Intangible assets		35,583	35,031
Goodwill		177,959	177,959
		<u>432,759</u>	<u>413,272</u>
Current assets			
Inventories		194,893	158,526
Trade and bills receivables	7	7,542	27,758
Prepayment, deposit and other receivables		53,319	27,577
Bank balances and cash		187,921	263,426
		<u>443,675</u>	<u>477,287</u>
Total assets		<u>876,434</u>	<u>890,559</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
	<i>Note</i>		
EQUITY			
Capital and reserve attributable to the owners of the Company			
Share capital		16,685	16,685
Reserves		584,178	564,276
Proposed final dividend		–	16,685
		600,863	597,646
Non-controlling interests		72,301	69,327
Total equity		673,164	666,973
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year		39,682	38,824
Deferred tax liabilities		21,162	20,689
		60,844	59,513
Current liabilities			
Trade payables	8	33,744	30,172
Accruals, deposit received and other payables		50,264	57,877
Amounts due to related parties		8,596	22,305
Bank borrowings – due within one year		44,491	43,529
Tax payables		2,852	10,190
Dividend payable		2,479	–
		142,426	164,073
Total liabilities		203,270	223,586
Total equity and liabilities		876,434	890,559
Net current assets		301,249	313,214
Total assets less current liabilities		734,008	726,486

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2010.

The unaudited condensed interim financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities, which are carried at fair value.

The accounting policies are adopted consistently with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

During the period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s accounting periods beginning on 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRSs 1 (Amendments)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has not applied the new or revised HKFRSs that have been issued but are not yet effective for the accounting period of these financial statements. The Group has already commenced an assessment of the impact of these new or revised HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a significant impact on its results of operation and financial position.

2. TURNOVER

	For the six months ended	
	30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Production and distribution of wine	70,338	67,724
Production and distribution of Chinese liquor	41,468	30,965
	111,806	98,689

3. OPERATING SEGMENTS

In accordance with the Group's internal financial reporting framework, 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 of the operations of the Group that management uses to make decisions.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2010.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business unit has different market and requires different marketing strategies.

Operating segment information is presented as follow:

(a) Segment revenue and results

The following is an analysis of the segment revenue and results of the Group for the six months ended 30 June 2011 and 2010:

	Chinese liquor		Wine		Consolidated	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Revenue from external customers	<u>41,468</u>	<u>30,965</u>	<u>70,338</u>	<u>67,724</u>	<u>111,806</u>	<u>98,689</u>
Segment results	<u>5,955</u>	<u>7,993</u>	<u>21,633</u>	<u>17,594</u>	<u>27,588</u>	<u>25,587</u>
Unallocated corporate expenses					<u>(7,551)</u>	<u>(5,496)</u>
Finance costs					<u>(1,150)</u>	<u>(2,981)</u>
Profit before taxation					<u>18,887</u>	<u>17,110</u>
Taxation					<u>(5,938)</u>	<u>(4,915)</u>
Profit for the period					<u>12,949</u>	<u>12,195</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Assets and liabilities

The following is an analysis of the segment assets and liabilities of the Group as at 30 June 2011 and 31 December 2010:

	Chinese liquor		Wine		Consolidated	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	254,840	270,288	582,865	562,033	837,705	832,321
Unallocated					38,729	58,238
					<u>876,434</u>	<u>890,559</u>
Segment liabilities	15,659	33,022	79,796	85,072	95,455	118,094
Unallocated					107,815	105,492
					<u>203,270</u>	<u>223,586</u>

For the purposes of monitoring segment performances and allocating resources among segments: all assets are allocated to reportable segments except for certain financial assets which are managed on a group basis. 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.

4. EXPENSES BY NATURE

The following items have been charged to the operating profit during the period:

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Staff costs (including directors' remuneration)		
– Basic salaries and allowances	21,942	14,156
– Retirement benefit scheme contributions	525	27
Amortisation and impairment of intangible assets	487	1,850
Amortisation of land use rights	389	353
Cost of inventories recognised as expenses	44,906	36,059
Depreciation	4,867	4,333

5. TAXATION

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
The charge comprises:		
The PRC Enterprise Income Tax	5,938	4,915

Hong Kong Profits Tax

No provision for Hong Kong profits tax was made for the six months ended 30 June 2011 (2010: Nil) as the Company and its subsidiaries had no assessable profit derived from Hong Kong during the period.

As at 30 June 2011, the Group had unused tax losses of approximately HK\$56 million (31 December 2010: HK\$48 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability future profit streams.

The PRC Income Tax

Pursuant to the relevant rules and regulations in the PRC, Shangri-la Winery Company Limited (“Shangri-la Winery”) and Diqing Shangri-la Economics Development Zone Tinlai Winery Company Limited are entitled to an exemption from the PRC enterprise income tax for the period from 1 January 2006 to 31 December 2007 and 50% reduction for the next consecutive three years (the “Tax Exemption Period”). The Tax Exemption Period was expired in 2010.

Shangri-la (Qinhuangdao) Winery Limited (“Shangri-la (Qinhuangdao)”) 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 applicable to foreign investment enterprise in the PRC. Shangri-la (Qinhuangdao) has been reported profit for the second year since establishment.

All other subsidiaries are subject to a profit tax rate of 25% (2010: 25%).

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of HK\$10,703,000 (six months ended 30 June 2010: profit of HK\$9,607,000) and 1,668,532,146 shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2011 and 2010 were the same as the basic earnings per share as there were no potential dilutive shares in existence for both periods.

7. TRADE RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2010: 30 to 90 days) to its trade customers which major customers with whom specific terms have agreed.

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Within 30 days	1,606	23,357
More than 30 days and within 60 days	2,491	–
More than 60 days and within 90 days	2,649	4,180
More than 90 days and within 180 days	796	221
More than 180 days and within 360 days	162	115
	7,704	27,873
Less: provision of doubtful debts	(162)	(115)
	7,542	27,758

The carrying amounts of trade receivables approximate their fair values.

8. TRADE PAYABLES

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Within 90 days	27,776	28,000
More than 90 days and within 180 days	2,263	291
More than 180 days and within 360 days	3,705	1,881
	33,744	30,172

The carrying amounts of trade payables approximate their fair values.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2011 (the “**Period**”) (2010: Nil).

PLEDGE OF ASSETS

As at 30 June 2011, Shangri-la Winery had pledged land and buildings and production facilities in Diqing and Qinhuangdao, the PRC with net book value amounting to approximately HK\$79 million (31 December 2010: HK\$51 million), to Agricultural Development Bank of China – Diqing Branch (中國農業發展銀行迪慶藏族自治州分行) to secure a HK\$60 million banking facilities granted to the Group.

FINANCIAL REVIEW

Revenue Analysis

Benefited from the launch of new products and effective sales strategy, the Group’s turnover for the Period increased 13% to approximately HK\$112 million (2010: HK\$98.7 million). The increase in turnover was mainly due to the favourite sales growth on new products launched during the Period. Sales of wine products increased 3.9% to approximately HK\$70.3 million (2010: HK\$67.7 million). Sales of Chinese liquor products increased 33.9% to HK\$41.5 million (2010: HK\$31.0 million).

During the Period, the Group’s government grant received reduced 76.9% to approximately HK\$1.5 million (2010: HK\$6.4 million). This was due to the fact that government grant received was one off in nature. Nevertheless the Group will continue to look for reasonable renewals and new application in the second half of the year.

Gross Profit Analysis

As a result of the increase in turnover, gross profit for the Period increased 6.8% to approximately HK\$66.9 million (2010: HK\$62.6 million). Though it might seem that there was a minor reduction in gross profit rate by 3% to 60%. (2010: 63%), the higher gross profit rate last period was mainly due to an adjustment made to write back inventory sold but not delivered in 2009. Taking out the effect of 2010’s adjustment, the gross profit rate remains quite stable.

Selling and Distribution Costs

Follow the Group’s sound marketing strategy in establishing branding awareness and revolutionary product packaging, sales and distribution costs for the Period reduced by 19.5% to approximately HK\$28.6 million (2010: HK\$35.5 million).

Administration and Finance Costs

As a result of the relocation of the Shangri-la Winery bottling facilities from Kuming to Diqing and the expansion of sales and marketing team in YuQuan, the administration expenses increased 46.9% to approximately HK\$19.8 million (2010: HK\$13.5 million). However, we believe administration expenses will substantially reduce after the relocation has been completed.

Due to the reduction in banking facilities, financial costs reduced by 61.4% to approximately HK\$1.2 million (2010: HK\$3.0 million).

Taxation

As the tax concession for Shangri-la Winery has expired, it is now subject to 25% corporate income tax, the same as YuQuan. Total tax expenses for the Period therefore increased by 20.8% to HK\$5.9 million (2010: HK\$4.9 million).

Profit

Profit before taxation grew 10% to approximately HK\$18.9 million (2010: HK\$17.1 million). Taking into account the increase in profit tax, the Group's profit after taxation increased 6% to approximately HK\$12.9 million (2010: HK\$12.2 million).

Profit Attributable to Owners of the Company

Profit attributable to the owners of the Company increased by 11.4% to approximately HK\$10.7 million (2010: HK\$9.6 million). Earnings per share increased by 8.5% to HK0.64 cents (2010: HK0.59 cents).

Balance Sheet Analysis

After the payment of final dividend for 2010, total assets of the Group marginally reduced 1.6% to approximately HK\$876 million (2010: HK\$891 million). Total fixed assets increased 4.7% to HK\$433 million (2010: HK\$413 million) whereas total current asset reduced by 7% to approximately HK\$444 million (2010: HK\$477 million).

Total liabilities decreased 9.1% to approximately HK\$203 million (2010: HK\$224 million), of which total non-current liabilities increased 2.2% to approximately HK\$61 million (2010: HK\$60 million) but current liabilities reduced by 13.2% to approximately HK\$142 million (2010: HK\$164 million).

Working capital of the Group was mainly financed by cash generated from operation and bank borrowings.

REVIEW OF OPERATION AND PROSPECTS

Business Review

During the Period, the PRC economy continued its fast growth yet the industry has been facing challenges in national policy, tougher competition, inflationary pressure, escalating labour and raw material costs, etc. We nevertheless achieved growth in both turnover and profits. To sustain growth, we maintained our dedication to providing more varieties and better value products to our channels and customers and through executing flexible sales and operational management strategies to explore new markets.

Brand equity, product innovation and uplifting are areas that we always focus on to create brand differentiation in order to bolstering brand value. We continue to employ creative strategies and advertising campaigns to capture the public's interest. Following the series of new products launched in 2010, the turnover the Group has increased by 13% to approximately HK\$112 million and gross profits increased 6.8% to approximately HK\$66.9 million. Our gross profit rate reduced marginally but still remained high at 60%. Profit attributable to the owners of the Company increased 11% to approximately HK\$10.7 million leading to an increase in earnings per share by 8% to HK0.64 cents.

Plant Relocation

The relocation of the Yunnan Kunming bottling and logistic facilities is in progress as planned. In order to host the relocated plants, we are expanding our Yunnan Diqing factory site. The development and relocation is scheduled to be completed in November this year. Some production process will be affected during the relocation. However, to minimise the effect, we have stocked up additional production in the first quarter to ensure a stable supply to the market during the transition period. The costs of the new development of the Diqing factory site and the relocation of plants and facilities to Diqing and Qinhuangdao site are estimated to be around RMB 25 million. We believe the cost saving on the relocation will outweigh the investment costs.

Shangri-la Masang Château

As disclosed in the Company's 2010 annual report, in April 2011, we have further invested RMB40 million to enlarge the paid up capital of Masang Château to RMB50 million. This additional investment will support future development of the Masang Château into a landmark that combines production and tourism. We believe this Château will reinforce our market leadership and will raise and reinforce the brand and product image of Shangri-la Winery.

Prospects

Looking forward, economic condition in Hong Kong seems to be improving. Yet the risk of further volatility in the global economy still remains. Economic conditions in the developed countries like the USA, Europe and Japan are very shaky. After two rounds of massive stimulative monetary policies, the US economy is not seeing any concrete sign of recovery. On the other hand, the massive liquidity so generated by the two rounds of quantitative easing has caused the world's inflation to submerge which in turn, would have a negative impact on the

US economy. The everlasting Europe's sovereign-debt issues and the disastrous earthquakes and the associated radiation leakage that hit Japan early this year continue to depress the two strong nations' economy. Even China, being the driving force behind the world's economy for the past few years, has to apply contractionary policies to counteract its domestic inflation.

The global environment of the remaining year is not necessarily gloomy. We would expect higher inflation down the road. We will feel the full impact of increased commodity prices, and our pricing and promotional strategies will be tested by competitors. Nevertheless, the new enhanced grape wine production base established in Diqing will come on stream later in the year, together with the new production line already established in Heilongjiang YuQuan, will enhance our competitive edge for growth. With our solid foundation, we will leverage the additional capacity from the plant expansions to sustain our profitability through cost management. We will focus on driving our premium brand equity and innovation capabilities to enhance our market leadership. We are confident that our effort will be duly rewarded.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group's total borrowings amounted to approximately HK\$84.2 million and cash and bank balances amounted to approximately HK\$188 million. The Group's current ratio was 3.12 and gearing ratio which is expressed as a ratio of total borrowings to total equity was 0.13. Taking into account of the existing banking facilities, the Group has adequate financial resources to meet its ongoing operating and development requirements.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (2010: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

During the Period, the Group experienced only immaterial exchange rate fluctuations as the functional currencies of the Group's operations were mainly in Hong Kong dollars and Renminbi. As the risk on exchange rate difference was considered to be immaterial, the Group did not employ any financial instrument for hedging purposes.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

During the Period, there was no acquisition or disposal of the Company's subsidiaries and associates.

EMPLOYEE INFORMATION

Total number of staff members was 1,177 as at 30 June 2011 of which 42 were management and 175 were back office staff, 423 were factory workers and 537 were sales and marketing personnel. The Directors believe that the quality of its employees is the most important factor in sustaining the Group's growth and improving its cost effectiveness. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group also provides medical insurance, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices contained in appendix 14 to the Listing Rules during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee met twice to date in 2011 (with a 100% attendance rate) to review with senior management and the Company's internal and external auditors, the Group's internal controls and financial matters as set out in the Audit Committee's written terms of reference. The Audit Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, listing rules and statutory compliance, internal controls, risk management and financial reporting matters.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial report for the six months ended 30 June 2011. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. E Meng and Mr. Cao Kuangyu.

By order of the Board
Wu Xiang Dong
Executive Director, Chairman

Hong Kong, 8 August 2011

As at the date of this announcement, the Board comprised Mr. Wu Xiang Dong, Mr. Yan Tao, Mr. Shu Shi Ping, Mr. Sun Jian Xin, Mr. Ng Kwong Chue, Paul, and Mr. Zhang Jian as executive Directors, and Mr. Ting Leung Huel, Stephen, Mr. E Meng and Mr. Cao Kuang Yu as independent non-executive Directors.

* For identification purposes only