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 2011

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 2011, together with the comparative figures for the year ended 31 December 2010 as follow:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Turnover	3	**400,272**	337,133
Cost of sales		**(182,524)**	(156,379)
Gross profit		**217,748**	180,754
Other revenue		**14,391**	13,631
Selling and distribution costs		**(98,355)**	(81,666)
Administrative expenses		**(49,661)**	(45,988)
Profit from operating activities	5	**84,123**	66,731
Finance costs	6	**(4,833)**	(4,522)
Profit before taxation		**79,290**	62,209
Taxation	7	**(21,449)**	(16,621)
Profit for the year		**57,841**	45,588
Attributable to:			
Owners of the Company		**45,585**	38,314
Non-controlling interests		**12,256**	7,274
		57,841	45,588
Dividend	8	**—**	16,685
Earnings per share attributable to owners of the Company	9		
Basic and diluted		**HK2.73 cents**	HK2.32 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**57,841**	45,588
Other comprehensive income		
Exchange differences arising on		
– translation of foreign operations	**17,057**	12,845
Total comprehensive income for the year	**74,898**	58,433
Attributable to:		
Owners of the Company	**61,109**	48,582
Non-controlling interests	**13,789**	9,851
Total comprehensive income for the year	**74,898**	58,433

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Land use rights		**29,138**	28,824
Property, plant and equipment		**233,576**	171,458
Intangible assets		**35,591**	35,031
Available-for-sale financial assets		**1,751**	—
Goodwill	10	**177,959**	177,959
		478,015	413,272
Current assets			
Inventories		**241,189**	158,526
Trade and bills receivables	11	**33,775**	27,758
Prepayment, deposits and other receivables		**35,648**	27,577
Cash and cash equivalents		**189,848**	263,426
		500,460	477,287
Total assets		**978,475**	890,559
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**16,685**	16,685
Reserves		**625,385**	564,276
Proposed final dividend	8	**—**	16,685
		642,070	597,646
Non-controlling interests		**83,116**	69,327
Total equity		**725,186**	666,973

	Notes	**2011**	2010
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year		**24,430**	38,824
Deferred tax liabilities		**21,509**	20,689
		45,939	59,513
Current liabilities			
Trade payables	12	**43,790**	30,172
Accruals, deposits received and other payables		**93,919**	57,877
Amounts due to related parties		**13,398**	22,305
Bank borrowings – due within one year		**40,309**	43,529
Tax payable		**15,934**	10,190
		207,350	164,073
Total liabilities		**253,289**	223,586
Total equity and liabilities		**978,475**	890,559
Net current assets		**293,110**	313,214
Total assets less current liabilities		**771,125**	726,486

Notes:

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

(i) New and amended standards and interpretation adopted by the Group

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (which includes all Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) Int")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st January 2011:

HKFRS 1 (Amendment)	Limited Exemption from Comparatives HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Presentation - Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in Improvements to HKFRSs 2010, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follow:

(a) HKAS 24 (Revised) "Related Party Disclosures" clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

— HKFRS 3 "Business Combinations": The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008). In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.

All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

— HKAS 1 "Presentation of Financial Statements": The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

— HKAS 27 "Consolidated and Separate Financial Statements": The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

(ii) New standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2011

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

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]

HKFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised in 2011)	Employee Benefits[4]
HKAS 27 (Revised in 2011)	Separate Financial Statements[4]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and is not yet in a position to state whether these would have a significant impact on the results of operations and financial position.

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.

The consolidated financial statements have been prepared in accordance with HKFRSs 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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. TURNOVER

	2011	2010
	HK$'000	*HK$'000*
Production and distribution of wine	**227,734**	209,034
Production and distribution of Chinese liquor	**172,538**	128,099
	400,272	337,133

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 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**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**172,538**	128,099	**227,734**	209,034	**400,272**	337,133
Segment results	**42,584**	28,630	**52,702**	47,894	**95,286**	76,524
Unallocated corporate income					**549**	158
Unallocated corporate expenses					**(11,712)**	(9,951)
Finance costs					**(4,833)**	(4,522)
Profit before taxation					**79,290**	62,209
Taxation					**(21,449)**	(16,621)
					57,841	45,588

The accounting policies on segment reporting 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 without allocation of central administration costs, directors salaries, finance costs and taxation.

Segment assets and liabilities

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

	Chinese liquor		**Wine**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**319,175**	270,288	**626,404**	562,033	**945,579**	832,321
Unallocated					**32,896**	58,238
					978,475	890,559
Segment liabilities	**56,174**	33,022	**107,287**	85,072	**163,461**	118,094
Unallocated					**89,828**	105,492
					253,289	223,586

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments except for certain 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 for the current and prior year:

	Chinese liquor		Wine		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure	**19,160**	36,594	**50,330**	13,032	**69,490**	49,626
Depreciation of property, plant and equipment	**4,915**	6,853	**8,874**	5,166	**13,789**	12,019
Amortisation of land use rights	**565**	544	**225**	217	**790**	761
Amortisation of intangible assets	**—**	11	**781**	941	**781**	952
Provision on impairment loss of trade and other receivables	**—**	8,716	**500**	384	**500**	9,100
Provision for obsolete inventories	**—**	—	**267**	—	**267**	—

Information about major customer

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

	Total	
	2011	2010
	HK$'000	*HK$'000*
Customer A	**—**	99,418

Geographical information

Over 90% of the Group's turnover and results were derived from the People's Republic of China ("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

	2011	2010
	HK$'000	*HK$'000*
Profit and total comprehensive income for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Basic salaries and allowances	**50,849**	34,426
– Retirement benefits scheme contributions	**48**	51
Total staff costs	**50,897**	34,477
Auditors' remuneration	**1,128**	954
Amortisation of intangible assets	**781**	952
Amortisation of land use rights	**790**	761
Cost of inventories recognised as expenses	**146,180**	130,352
Provision for obsolete inventories	**267**	—
Provision on impairment loss of trade and other receivables	**500**	9,100
Depreciation of property, plant and equipment	**13,789**	12,019
Research and development cost	**1,110**	314
Minimum lease payments under operating leases:		
Land and building	**1,934**	1,895

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**4,752**	4,407
Bank charges	**81**	115
	4,833	4,522

7. TAXATION

	2011	2010
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**—**	—
The PRC Enterprise Income Tax		
– current year	**19,573**	16,741
– under/(over)-provision in prior year	**1,876**	(120)
	21,449	16,621

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2010: 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 2011, the Group had unused tax losses of approximately HK$ 55 million (2010: HK$ 48 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

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (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 including foreign investment enterprises.

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, 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 has expired in 2010. During the year ended 31 December 2011, Shangri-La Winery Company Limited has successfully applied a tax exemption from Yunnan State Administration of Taxation of the PRC and the tax rate applied therefore becomes 15% accordingly.

Shangri-La (Qinhuangdao) Winery Limited, a subsidiary of the Company which is a foreign investment enterprise established in the Coastal Open Economics Region of Qinhuangdao, the PRC, subject to enterprise income tax rate of 25% 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) Winery Limited has been reported its third year profit since its establishment.

The tax rate applicable for all other subsidiaries established in the PRC is 25% (2010: 25%).

Pursuant to the transitional arrangements under the New Tax Law, the above mentioned PRC subsidiary 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 be subject to the unified rate of 25%.

8. DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2011 (2010: HK$0.01 per share).

9. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per ordinary share	**45,585**	38,314

	Number of shares	
	2011	2010
Weighted average number of shares for the purpose of basic and diluted earnings per ordinary share	**1,668,532,146**	1,653,446,787

Diluted earnings per share were same as the basic earnings per share as there were no dilutive potential ordinary shares in both years.

10. GOODWILL

	HK$'000
Cost	
At 1 January 2010, 31 December 2010 and 31 December 2011	177,959
Impairment	
At 1 January 2010, 31 December 2010 and 31 December 2011	—
Carrying amount	
At 31 December 2011	**177,959**
At 31 December 2010	177,959

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

	2011	2010
	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 11.2% per annum (2010: 8% 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 2011and 2010.

11. TRADE AND BILLS RECEIVABLES

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

	2011	2010
	HK$'000	*HK$'000*
Trade and bills receivables	**33,981**	27,873
Less: Impairment loss of trade and bills receivables	**(206)**	(115)
	33,775	27,758

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:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**30,713**	23,357
More than 30 days and within 60 days	**462**	—
More than 60 days and within 90 days	**1,614**	4,180
More than 90 days and within 180 days	**986**	221
More than 180 days and within 360 days	**—**	—
At 31 December	**33,775**	27,758
Represented by:		
Receivables from related parties	**2,504**	—
Receivables from third parties	**31,271**	27,758
	33,775	27,758

All trade and bills receivables were denominated in RMB.

12. TRADE PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**33,609**	28,000
More than 90 days and within 180 days	**4,033**	291
More than 180 days and within 360 days	**6,148**	1,881
	43,790	30,172

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

Turnover

Our Group attained a turnover of HK$400 million for 2011 (2010: HK$337 million), representing an increase of 18.73% over previous year. Wine and Chinese baijiu segments accounted for HK$228 million and HK$172 million respectively with growth rates of 8.95% and 34.69% respectively.

Cost of Production

Cost of sales for Wine and Chinese baijiu increased 13.04% and 22.45% respectively to HK$108 million and HK$75 million respectively. Gross production cost increased by 16.72% from HK$156 million in 2010 to HK$183 million in 2011. The increase was in line with the increase in turnover for the year.

Gross Profits

Growth in gross profits was in line with increase in turnover. Gross profit increased by 20.47% from HK$181 million in 2010 to HK$218 million in 2011 due to growth in turnover. Wine and Chinese baijiu segments each accounted for HK$120 million and HK$98 million respectively with gross profits margin of 52.69% and 56.65% respectively. Gross profits margin increased slightly by 0.78 percentage point from 53.62% in 2010 to 54.40% in 2011.

Selling and Distribution Expenses

Selling and distribution expenses increased by 20.44% from HK$81.67 million in 2010 to HK$98.36 million in 2011. Selling and distribution expenses as a percentage of turnover for the year increased marginally by 0.35% to 24.57%. The increase was due to increase in overall marketing expenses.

Administrative Expenses

As a result of the increase in general labour costs, administrative expenses increased by 8% from HK$45.99 million in 2010 to HK$49.66 million in 2011. Administrative expenses as a percentage of overall turnover decreased 1.23% to 12.41% due to a higher turnover figure.

Profit Before Tax

Our 2011 profit before tax increased 27.46% to HK$79.29 million (2010: HK$62.21 million). Profit before tax margin increase slightly by 1.36% to 19.81%.

Income Tax Expenses

Overall income tax expenses increased by 29.05% to HK$21.45 million primarily as a result of increase in turnover and expiry of Shangri-la's tax holidays.

Profits After Tax

As a result of growth in revenue and better cost management, profits after tax for the year increased 26.88% to HK$57.84 million (2010:HK$45.59 million). Net profit after tax margin increased slightly to 14.45%.

Profit Attributable to Our Owners

The profit attributable to owners of the Company increased by 18.98% from HK$38.31 million in 2010 to HK$45.59 million in 2011. The margin of profit attributable to the owners of the Company stands at 11.4% for both 2010 and 2011.

Liquidity and Capital Resources

Cash flow 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 2011, our bank balances and deposits amounted to HK$190 million (2010: HK$263 million) representing a decrease of 27.93%. The decrease was mainly due to the payment of 2010 dividend, repayment of bank loan and increased investment in fixed assets. About 83.53% of our cash was denominated in Renminbi.

As at 31 December 2011, our net loan repayment was HK$20 million, as such, our total borrowings decreased by 21.39% to HK$64.74 million (2010: HK$82.35 million). All of our borrowings are denominated in Renminbi. We maintain sufficient cash and available banking facilities for our working capital requirements in forseeable future.

Capital expenditure

During the year 2011, our total capital expenditure amounted to HK$69.49 million (2010: HK$49.63 million) of which HK$20 million was used in the construction of Shangri-la Masang Chateau, about HK$11 million was used in development of the relocate site at Shangri-la economic development zone. Another HK$11 million was invested in production facilities in Shangri-la and Qinhuangdao and about HK$9 million was used in the constructing YuQuan's storage and packaging facilities. For the year 2012, we have budgeted HK$120 million for capital expenditure of which HK$80 million is allocated to the construction of Yantai Massang Chateau, HK$20 million for the development of Shangri-la (Deqin) winery facilities, HK$10 million for the development of Shangri-la (Diqing) relocation site and another HK$10 million for YuQuan's production facilities.

Inventories analysis

Our inventories primarily consist of finished goods, goods in transit, work in progress for winery products as well as raw materials and packaging materials. As we needed to ascertain the supply of product to meet the early arrival of the 2012 Chinese New Year, as of 31 December 2011, gross inventories increased 52.14% to HK$241 million (2010: HK$159 million). The finished goods turnover ratio (average closing finished goods divided by cost of sales) was 167 days for the year ended 31 December 2011 (2010: 126 days).

Balance sheet analysis

As at 31 December 2011, the Group had total assets of HK$978 million (2010: HK$891 million) of which current assets amounting to HK$500 million (2010: HK$477 million), non-current assets amounting to HK$478 million (2010: HK$413 million). Total liabilities of the Group included current liabilities of HK$207 million (2010: HK$164 million) and non-current liabilities of HK$46 million (2010: HK$60 million). Our total equity was composed of shareholders' equity of HK$642 million (2010: HK$598 million) and non-controlling interests of HK$83 million (2010: HK$69 million).

The Group's current ratio as at 31 December 2011 was approximately 2.41 (2010: 2.91). Gearing ratio, representing the total borrowings divided by total equity, was approximately 8.93% (2010: 12.35%).

Basic earnings per share attributable to the owners of the Company for the year ended 31 December 2011 were at HK 2.73 cents (2010: HK2.32 cents), increased by 17.67%.

Trade receivables turnover period (average trade receivables divided by turnover) was 28 days (2010: 30 days). The Group did not experience any material bad debts that required write off in 2011.

The Group has capital commitment amounted to HK$63.96 million (2010: HK$14.74 million). The Group had no other material contingent liabilities as at 31 December 2011.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2011, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately20.6% (2010:15.2%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 6.9% (2010: 3.6%).

The aggregate sales attributable to the Group's five largest customers for the year ended 31 December 2011 were approximately amounting to 24.2% (2010: 46.2%) and the sales attributable to the Group's largest customer was approximately 5.9% (2010: 29.5%).

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 2011, the Group was granted HK$8.17 million (2010: HK$8.13 million) as subsidies from the local finance department in subsidizing the Group's technical development. Profits tax rate applied to subsidiaries established in PRC ranging from 12.5% to 25%. The Hong Kong company is subject to a profits tax rate of 16.5%.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2011 (2010: HK$0.01 per share).

PLEDGE OF ASSETS

At 31 December 2011, the Group pledged its land, property, plant and equipments with net book value amounting approximately HK$50 million (2010: 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 has 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.

MATERIAL ACQUISITION AND DISPOSAL

During the year, there was no material acquisition and disposal of subsidiaries by the Group.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group employed a total of 1,261 (2010: 846) full-time employees mostly at the Group's subsidiary factories and sales offices. Out of total employment, 504 staff related to sales and marketing, 428 staff related to production, 43 staff related to management and 286 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

The world economy remained challenging in year 2011. Aggravation of European debt crisis persist as serious threat to the Eurozone's financial stability and wobbling US economy post nagging worries for the international market. Yet China market remains buoyant as the Chinese government combined proactive fiscal policies and prudent monetary policies to accelerate economic restructuring. The country's economy and retail sales maintained sound momentum during the year. The uptrend in retail sales was fuelled by rising pay and has led to increased purchasing power, echoing the nation's economic restructuring plans. Domestic consumption is gradually gaining more weight on the growth of the economy. During the year, growth in the country's GDP achieved 9.2% growth to RMB47,156.4 billion and the per capita annual disposable income for urban and rural residents increased by 8.4% and 11.4% respectively, generating a new set of opportunities for retailers and sustained healthy economic development.

From other perspective, domestic stimulus package and liquidity unleashed by central banks around the world leaded to high inflationary pressure. Rising raw material prices and operational costs have been passed on to consumers, hampering consumption and limiting the progress of economic restructuring. Through the implementation of tightening policies, China's 2011 CPI and PPI were able to be kept at 5.4% and 6.0% respectively within which wine and liquor sector was raised by 9.2%. Nonetheless, it is believed that the Chinese government will monitor closely the inflationary trend and will work harder to keep prices stable by macroeconomic policies.

Though China's economy continued to grow steadily during the year, with the recent release of a lower then expect next 5 – year plan growth target, the pace of growth showed signs of moderation. Consistently high levels of inflationary pressure affected consumer sentiment, hindering growth in domestic consumption. Notwithstanding the challenges above, driven by more frequent business activities, urbanisation and rising wages, growth in China's wine and liquor industry remains promising. We see domestic consumers are more brand-oriented and sophisticated owing to rising affluence. The more differentiated the brand and its products, the more likely that it can achieve sustainability and profitability. Rising income levels and a steady increase in alcohol consumption helped to fuel growth momentum in the wine and liquor industry in China. Industry players with brands that are more responsive to market changes and are capable of delivering greater value to consumers will strengthen their leading positions and will maintain the competitiveness of their distribution channels. Seeing both opportunities and challenges, the Group continued to stay focused on our mass market positioning while at the same time enhancing our brand equity, strong distribution network and innovative product creation.

PROSPECT

As global markets are likely to remain uncertain over the unresolved debt crisis in Europe, concern over the US economy and scepticism whether China can maintain its high growth rate, the Group will remain vigilant in the implementation of its business plans. Looking ahead, the domestic consumer sentiment will continue to be affected by the moderation of China's economic growth. Operating environment is expected to remain difficult in year 2012 as the industry still has shadow by pressure from increasing overhead costs and intense competition. All of these factors make the macroeconomic landscape as well as the wine and liquor industry we operate in more challenging.

Despite the challenges ahead, we believe that implementation of government policies to establish a stable economy, improvement of income distribution among residents, and acceleration of the urbanization process will be favorable to raise the consumption level of the middle to lower income groups and create new consumption demand. In the medium to long term, the future economic growth of China will gradually be transformed from investment and export-oriented growth to consumption-led growth. With rapid growth in social wealth and improvement of macroeconomic conditions, we believe China's economic growth will continue to accelerate and result in a much more stable and healthy development. Domestic consumption will become increasingly important as a major contributor for economic growth, which will in turn lead to great opportunities in the wine and liquor market.

The Group will further optimise and refine its sales strategies for all of its products and to implement more effective measures to boost sales performance. For Shangri-la winery's products, we will take measure to improve its revenue stream by step up sales and marketing efforts. For YuQuan baijiu, we target to further penetrate into downward sales and marketing system by further develops more specialty image stores, strengthen existing sales channel and develop new opportunities in other north-east regional markets.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 11 May 2012 to Tuesday, 15 May 2012 (both days inclusive), for the purposes of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Progressive Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 10 May 2012.

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 three independent non-executive directors namely Mr. Ting Leung Huel, Stephen (Chairman), 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 2011. 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 2011 with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

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

Hong Kong, 26 March 2012

As at the date of this announcement, the Board comprises six executive directors, namely, Mr. Wu Xiang Dong, Mr. Yan Tao, Mr. Shu Shi Ping, Mr. Sun Jian Xin, Mr. Zhang Jian and Mr. Ng Kwong Chue, Paul and three independent non-executive directors, namely Mr. Ting Leung Huel, Stephen, Mr. E Meng and Mr. Cao Kuangyu.

* *For identification purposes only*