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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)

CONTINUING CONNECTED TRANSACTIONS

Master Sales Agreements

On 6 July 2012, the Group entered into the Master Sales Agreements with each of 華致酒行連鎖管理股份有限公司(VATS Chain Liquor Store Management Company Limited[#]) and 雲南金六福貿易有限公司(Yunnan Jinliufu Trading Limited[#]) in respect of sales of grape wine and/or Tibetan naked barley wine and/or Chinese Baijiu and provision of related services. As each of VATS Chain Store and Yunnan JLF Trading is a connected person of the Company and the transactions contemplated under the Master Sales Agreements are continuing in nature, the entering into of the Master Sales Agreements constitutes continuing connected transactions of the Company under the Listing Rules.

As the Sales Caps under each of the Master Sales Agreements exceed HK\$10,000,000 per annum, the entering into of the Master Sales Agreements will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Mr. Wu Xiang Dong, Mr. Yan Tao, JLF BVI and their respective associates shall abstain from voting at the SGM to be convened to approve, among other matters, the Master Sales Agreements.

Master Purchases Agreement

On 6 July 2012, the Group also entered into the Master Purchases Agreement with 雲南金六福聯採商貿有限公司 (Yunnan Jinliufu Liancai Trading Company Limited[#]) in respect of purchases of raw materials and related services. As Jinliufu Liancai is a connected person of the Company and the transactions contemplated under the Master Purchases Agreement are continuing in nature, the entering into of the Master Purchases Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the Purchase Caps under the Master Purchases Agreement exceed HK\$10,000,000 per annum, the entering into of the Master Purchases Agreement will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Mr. Wu Xiang Dong, Mr. Yan Tao, JLF BVI and their respective associates shall abstain from voting at the SGM to be convened to approve, among other matters, the Master Purchases Agreement.

Further details of the Master Sales Agreements and the Master Purchases Agreement, together with the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and the notice of SGM will be included in the circular to be despatched to the Shareholders on or before 27 July 2012 (being 15 business days from the date of this announcement).

BACKGROUND

Reference is made to the announcement and the circular of the Company dated 27 August 2010 and 17 September 2010 respectively in relation to the 2010 Agreements pursuant to which the Group entered into master agreements to sell the Shangri-la Products to VATS Chain Store and to purchase packaging materials from Jinliufu Liancai for a term of three years commencing from 1 October 2010. The Board is pleased to announce that, for the purposes of bringing in additional sales channel and revising certain terms set under the 2010 Agreements to cater for the continuing growth of the Group, on 6 July 2012, the Company entered into the Master Sales Agreements and the Master Purchases Agreement in relation to the same subject transactions to revise certain terms and the respective annual caps.

THE MASTER SALES AGREEMENTS

(A) Shangri-la Agreement

Date : 6 July 2012

Parties : (i) 香格里拉酒業股份有限公司(Shangri-la Winery Company Limited[#]), a 95%-owned subsidiary of the Company; and
(ii) 華致酒行連鎖管理股份有限公司(VATS Chain Liquor Store Management Company Limited[#])

VATS Chain Store is a company established in the PRC. As at the date of the Shangri-la Agreement, the entire issued share capital of which is owned as to 67.08% by Mr. Wu Xiang Dong (who is the chairman of the Group and an executive Director) and 2.76% by VATS Group Limited (which is the ultimate holding company of JLF BVI). Accordingly, VATS Chain Store is a connected person of the Company.

Subject matters:

Pursuant to the Shangri-la Agreement, the Group has agreed to sell Shangri-la Wines, on a non-exclusive basis, to VATS Chain Store for a term commencing from 1 July 2012 up to 31 December 2014, subject to approval by the Independent Shareholders at the SGM. It is also provided that the selling price of the Shangri-la Wines shall be determined based on normal commercial terms through arm's length negotiation.

Under the Shangri-la Agreement, the Shangri-la Wines will be sold by the Group to VATS Chain Store at a price which is 20%-25% lower than average wholesale prices as VATS Chain Store has agreed to use its best endeavours to purchase a significant amount of the Shangri-la Wines according to its sales forecast, VATS Chain Store also agreed to invest not less than 20% of the total actual purchase amount to promote and raise the brand image and market position of Shangri-la brand and shall bear and be solely responsible for all the costs and expenses to be incurred in relation to the sale and distribution of the Shangri-la Wines. The terms of sales will be of no less favourable than terms offered to other independent third parties who are willing to order similar quantity under similar conditions.

The Sales Caps under the Shangri-la Agreement are set out below:

	Year ended 31 December 2012 (RMB million)	Year ended 31 December 2013 (RMB million)	Year ended 31 December 2014 (RMB million)
Sales Caps	<u>30</u>	<u>40</u>	<u>50</u>

In determining the Sales Caps under the Shangri-la Agreement, the Board has taken into account: (i) the historical amount of sales of the Shangri-la Wines to VATS Chain Store in the past; (ii) VATS Chain Store's sales forecast for such products in the coming years; and (iii) the potential growth of grape wine market in the PRC. For each of the two years ended 31 December 2011, sales of the Shangri-la Wines by the Group to VATS Chain Store amounted to approximately HK\$31 million and HK\$17 million respectively.

(B) Jinliufu Agreement

Date : 6 July 2012

Parties : (i) 香格里拉酒業股份有限公司(Shangri-la Winery Company Limited#), a 95%-owned subsidiary of the Company;

(ii) 黑龍江省玉泉酒業有限責任公司(Heilongjiang Province YuQuan Winery Company Limited#), a 66.50%-owned subsidiary of the Company; and

(iii) 雲南金六福貿易有限公司(Yunnan Jinliufu Trading Limited#)

Yunnan JLF Trading is a company established in the PRC, and is ultimately owned as to 80% by VATS Group Limited (which is the ultimate holding Company of JLF BVI). Accordingly, Yunnan JLF Trading is a connected person of the Company.

Subject matters:

Pursuant to the Jinliufu Agreement, the Group has agreed to sell the Shangri-la Products and the Yuquan Products, on a non-exclusive basis, to Yunnan JLF Trading for a term commencing from 1 July 2012 up to 31 December 2014, subject to approval by the Independent Shareholders at the SGM. It is also provided that the selling price of the Shangri-la Products and the Yuquan Products shall be determined based on normal commercial terms through arm's length negotiation.

Under the Jinliufu Agreement, the Shangri-la Products and the Yuquan Products will be sold by the Group to Yunnan JLF Trading at a price which is 20%-25% lower than average wholesale prices as Yunnan JLF Trading has agreed to use its best endeavours to purchase a significant amount of the Shangri-la Products and the Yuquan Products according to its sales forecast and to invest not less than 20% of total actual purchase amount to promote and raise the brand image and market position of Shangri-la brand and Yuquan brand. In addition, Yunnan JLF Trading shall also bear and be solely responsible for all the costs and expenses to be incurred in relation to the sale and distribution of the Shangri-la Products and the Yuquan Products. The terms of sales will be of no less favourable than terms offered to other independent third parties who are willing to order similar quantity under similar conditions.

The Sales Caps under the Jinliufu Agreement are set out below:

	Year ended 31 December 2012 (RMB million)	Year ended 31 December 2013 (RMB million)	Year ended 31 December 2014 (RMB million)
Sales Caps	<u>30</u>	<u>30</u>	<u>35</u>

In determining the Sales Caps under the Jinliufu Agreement, the Board has taken into account: (i) the historical amount of sales of the Shangri-la Products and the Yuquan Products to Yunnan JLF Trading in the past; (ii) Yunnan JLF Trading's sales forecast for such products in the coming years; and (iii) the potential growth of grape wine and Chinese Baijiu markets in the PRC. For the year ended 31 December 2011, sales of the Shangri-la Products and the Yuquan Products by the Group to Yunnan JLF Trading amounted to approximately HK\$6 million.

THE MASTER PURCHASES AGREEMENT

Date : 6 July 2012

Parties : (i) 黑龍江省玉泉酒業有限責任公司(Heilongjiang Province YuQuan Winery Company Limited#), a 66.50%-owned subsidiary of the Company; and

(ii) 雲南金六福聯採商貿有限公司(Yunnan Jinliufu Liancai Trading Company Limited#)

Jinliufu Liancai is a company established in the PRC, and is ultimately owned as to 80% by VATS Group Limited (which is the ultimate holding Company of JLF BVI). Accordingly, Jinliufu Liancai is a connected person of the Company.

Subject matters:

Pursuant to the Master Purchases Agreement, the Group has agreed to purchase raw materials and the related services, on a non-exclusive basis, from Jinliufu Liancai for a term commencing from 1 July 2012 up to 31 December 2014, subject to approval by the Independent Shareholders at the SGM. It is also provided that the purchase price of such raw materials shall be determined based on normal commercial terms through arm's length negotiation or on terms no less favourable than the terms available from independent third parties for purchase of similar materials and services of comparable quality and quantity.

The Purchase Caps are set out below:

	Year ended 31 December 2012 <i>(RMB million)</i>	Year ended 31 December 2013 <i>(RMB million)</i>	Year ended 31 December 2014 <i>(RMB million)</i>
Purchase Caps	<u>12</u>	<u>15</u>	<u>15</u>

In determining the Purchase Caps, the Board has taken into account: (i) the historical amount of purchases of raw materials from Jinliufu Liancai in the past; and (ii) the Group's forecast for such products in the coming years. For each of the two years ended 31 December 2011, purchases of raw materials from Jinliufu Liancai amounted to approximately HK\$7.6 million and HK\$6.7 million respectively.

REASONS FOR ENTERING INTO THE MASTER SALES AGREEMENTS AND THE MASTER PURCHASES AGREEMENT

The Group is principally engaged in the manufacture, wholesale and distribution of winery products in the PRC. Shangri-la Winery is a 95% owned subsidiary of the Company principally engaged in the production and distribution of grape wines and Tibetan naked barley wine products. Yu Quan is a 66.50% owned subsidiary of the Company principally engaged in the production and distribution of Chinese Baijiu.

Yunnan JLF Trading is the wholesale arm of VATS Group with business focus in PRC's winery industry for over 16 years. VATS Group has a well-established country wide winery distribution network which covers 30 provinces and autonomous regions in the PRC with over 5,000 supermarket outlets, 8,000 hotels and 150,000 retail shops. VATS Chain Store is principally engaged in sales of deluxe wines, including Vintage grade Wuliangye, Gu Yue Long Shan, Laphroaig, and the First Growth Wines from Bordeaux Chateau through established chain stores in the PRC. As at the date of this announcement, VATS Chain Store operates over 500 chain stores and group purchase networks in the PRC.

The transactions contemplated under the Master Sales Agreements have been conducted in the ordinary course of business of the Group. The Master Sales Agreements has provided a framework to protect the interests of the Group while enabling the Group with a stable source of revenue from the sales of the Shangri-la Products and the Yuquan Products. The Master Sales Agreements are entered into mainly for the purposes of bringing in additional reliable sales channel, and revising certain terms and the annual sales caps set under the 2010 Agreements to cater for the continuing growth of the Group.

The transactions contemplated under the Master Purchases Agreement have also been in the ordinary course of business of the Group. Due to the uniqueness of certain raw materials used in production, the Master Purchases Agreement will allow the Group to have a stable source of supply of the raw materials with guaranteed quality, for use in its production. The Master Purchases Agreement is entered into mainly for the purpose of revising the annual purchase caps set under the 2010 Agreements to cater for the needs of the Group.

Based on the above, the Directors (excluding Mr. Wu Xiang Dong who had abstained at the Board meeting in view of his material interests by virtue of his 90% equity interests in VATS Group Limited and 67.08% equity interests in VATS Chain Store, and Mr. Yan Tao who also abstained in view of his 10% equity interests in VATS Group Limited, and the independent non-executive Directors whose views will be subject to the advice of the independent financial advisers), consider that the entering into of the Master Sales Agreements and the Master Purchases Agreement is in the ordinary course of business of the Group and that the terms of Master Sales Agreements (including the Sales Caps) and the Master Purchases Agreement (including the Purchase Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

Given the VATS Chain Store and Yunnan JLF Trading are connected persons of the Company and the transactions contemplated under the Master Sales Agreements are continuing in nature, the entering into of the Master Sales Agreements constitutes a continuing connected transaction of the Company under the Listing Rules. As the Sales Caps under each of the Master Sales Agreements exceed HK\$10,000,000 per annum, the transactions under the Master Sales Agreements will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

As Jinliufu Liancai is a connected person of the Company and the transactions contemplated under the Master Purchases Agreement are continuing in nature, the Master Purchases Agreement also constitutes a continuing connected transaction of the Company under the Listing Rules. As the Purchase Caps under the Master Purchases Agreement exceed HK\$10,000,000 per annum, the transactions under the Master Purchases Agreement will also be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

SGM

A SGM will be convened and held to approve the Master Sales Agreements and the Sales Caps, the Master Purchases Agreement and the Purchase Caps, and the transactions contemplated thereunder. Mr. Wu Xiang Dong, Mr. Yan Tao, JLF BVI and their respective associates shall abstain from voting at the SGM.

GENERAL

The Independent Board Committee comprising Mr. Ting Leung Huel, Stephen, Mr. E Meng and Mr. Cao Kuangyu, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to the terms of the Master Sales Agreements including the Sales Caps and the Master Purchases Agreement including the Purchase Caps. An independent financial adviser, Goldin Financial Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Further details of the Master Sales Agreements and the Master Purchases Agreement, together with the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and the notice of SGM will be included in the circular to be despatched to the Shareholders on or before 27 July 2012 (being 15 business days from the date of this announcement).

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meaning:

“2010 Agreements”	(i) the master sales agreement dated 27 August 2010 entered into between Shangri-la Winery and VATS Chain Store in relation to the sales of the Shangri-la Products; and (ii) the master purchases agreement dated 27 August 2010 entered into between Yu Quan and Jinliufu Liancai in relation to the purchases of packaging materials and related services, details of which are set out in the announcement and the circular of the Company dated 27 August 2010 and 17 September 2010 respectively
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Company”	JLF Investment Company Limited, a company incorporated in Bermuda and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Master Sales Agreements and the Master Purchases Agreement
“Independent Shareholders”	Shareholders other than Mr. Wu Xiang Dong, Mr. Yan Tao, JLF BVI and their respective associates
“Jinliufu Agreement”	the master sales agreement dated 6 July 2012 entered into among Yu Quan and Shangri-la Winery as vendors and Yunnan JLF Trading as purchaser in respect of the sales of the Yuquan Products and Shangri-la Products respectively
“Jinliufu Liancai”	雲南金六福聯採商貿有限公司(Yunnan Jinliufu Liancai Trading Company Limited [#]), a company established in the PRC principally engaged in the trading business

“JLF BVI”	JLF Investment Company Limited, a company incorporated in the British Virgin Islands and interested in 841,120,169 Shares (representing approximately 50.41% of the issued share capital of the Company), being the substantial Shareholder and thus a connected person of the Company, whose ultimate holding company is VATS Group Limited (a company owned as to 90% by Mr. Wu Xiang Dong and as to 10% by Mr. Yan Tao)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Purchases Agreement”	the master purchases agreement dated 6 July 2012 entered into between Yu Quan as purchaser and Jinliufu Liancai as vendor in respect of the purchases of raw materials and related services
“Master Sales Agreements”	the Shangri-la Agreement and the Jinliufu Agreement
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchase Caps”	the maximum annual purchases amounts as set out in the Master Purchases Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Caps”	the maximum annual sales amounts as set out in each of the Master Sales Agreements
“SGM”	the special general meeting of the Company to be held to approve, amongst other matters, each of the Master Sales Agreements, the Sales Caps, the Master Purchases Agreement, the Purchase Caps and all transactions contemplated thereunder
“Shangri-la Agreement”	the master sales agreement dated 6 July 2012 entered into between Shangri-la Winery as vendor and VATS Chain Store as purchaser in respect of the sales of the Shangri-la Wines
“Shangri-la Products”	grape wine, Tibetan naked barley wine and the related services produced and provided by Shangri-la Winery
“Shangri-la Winery”	香格里拉酒業股份有限公司(Shangri-la Winery Company Limited#), a 95%-owned subsidiary of the Company established in the PRC principally engaged in the production and distribution of grape wine and Tibetan naked barley wine
“Shangri-la Wines”	grape wines and the related services produced and provided by Shangri-la Winery
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VATS Chain Store”	華致酒行連鎖管理股份有限公司(VATS Chain Liquor Store Management Company Limited [#]), a company established in the PRC principally engaged in the sales of various prestigious brands of wines, liquors and Chinese Baijius through established chain stores in the PRC
“Yu Quan”	黑龍江省玉泉酒業有限責任公司(Heilongjiang Province YuQuan Winery Company Limited [#]), a 66.50%-owned subsidiary of the Company established in the PRC principally engaged in the production and distribution of Chinese Baijiu
“Yunnan JLF Trading”	雲南金六福貿易有限公司(Yunnan Jinliufu Trading Limited [#]), a company incorporated in the PRC principally engaged in trading and wholesaling of wines and Chinese Baijiu in the PRC
“Yuquan Products”	Chinese Baijiu and the related services produced and provided by Yu Quan
“%”	percent.

[#] *The English name is translated for reference only.*

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

Hong Kong, 6 July 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 purpose only*