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 2012

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 2012, together with the comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Turnover	*3*	**366,208**	400,272
Cost of sales		**(179,771)**	(182,524)
Gross profit		**186,437**	217,748
Other revenue		**19,249**	14,391
Selling and distribution expenses		**(103,535)**	(98,355)
Administrative expenses		**(56,177)**	(49,661)
Profit from operating activities	*5*	**45,974**	84,123
Finance costs	*6*	**(4,277)**	(4,833)
Profit before taxation		**41,697**	79,290
Taxation	*7*	**(18,346)**	(21,449)
Profit for the year		**23,351**	57,841
Attributable to:			
Owners of the Company		**9,832**	45,585
Non-controlling interests		**13,519**	12,256
		23,351	57,841
Earnings per share attributable to owners of the Company			
Basic and diluted	*9*	**HK0.59 cent**	HK2.73 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**23,351**	57,841
Other comprehensive income		
Exchange differences arising from translation of foreign operations	**14,100**	17,057
Total comprehensive income for the year	**37,451**	74,898
Attributable to:		
Owners of the Company	**22,485**	61,109
Non-controlling interests	**14,966**	13,789
	37,451	74,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Land use rights		**29,147**	29,138
Property, plant and equipment		**288,113**	233,576
Intangible assets		**36,117**	35,591
Available-for-sale financial assets		**1,800**	1,751
Goodwill	*10*	**177,959**	177,959
		533,136	478,015
Current assets			
Inventories		**301,230**	241,189
Trade and bills receivables	*11*	**40,130**	33,775
Prepayments, deposits and other receivables		**37,995**	35,648
Cash and cash equivalents		**132,877**	189,848
		512,232	500,460
Total assets		**1,045,368**	978,475
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**16,685**	16,685
Reserves		**647,870**	625,385
		664,555	642,070
Non-controlling interests		**98,082**	83,116
Total equity		**762,637**	725,186
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year		**–**	24,430
Deferred tax liabilities		**22,136**	21,509
		22,136	45,939
Current liabilities			
Trade payables	*12*	**51,913**	43,790
Accruals, deposits received and other payables		**126,585**	93,919
Amounts due to related parties		**8,561**	13,398
Bank borrowings – due within one year		**62,795**	40,309
Tax payable		**10,741**	15,934
		260,595	207,350
Total liabilities		**282,731**	253,289
Total equity and liabilities		**1,045,368**	978,475
Net current assets		**251,637**	293,110
Total assets less current liabilities		**784,773**	771,125

Notes:

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

(i) New and amended standards adopted by the Group

In the current year, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2012:

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendments)	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Report Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets

The adoption of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) New standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1 January 2012

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the Amendments HKAS 1[2]
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Dislcosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Amendments to HKFRS 7 and HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

Amendments to HKAS 16

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise.

Amendments to HKAS 32

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

3. TURNOVER

	2012	2011
	HK$'000	*HK$'000*
Production and distribution of wine	**194,213**	227,734
Production and distribution of Chinese baijiu	**171,995**	172,538
	366,208	400,272

4. SEGMENT INFORMATION

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, namely (i) production and distribution of wine, and (ii) production and distribution of Chinese baijiu. The segmentations are based on the information of the operation of the Group that management uses to make decisions.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments for the current and prior years:

	Chinese baijiu		Wine		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**171,995**	172,538	**194,213**	227,734	**366,208**	400,272
Segment results	**55,446**	42,584	**(202)**	52,702	**55,244**	95,286
Unallocated corporate income					**716**	549
Unallocated corporate expenses					**(9,986)**	(11,712)
Finance costs					**(4,277)**	(4,833)
Profit before taxation					**41,697**	79,290
Taxation					**(18,346)**	(21,449)
Profit for the year					**23,351**	57,841

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 represent the profits earned by each segment without allocation of central administration costs including directors' emoluments, finance costs and taxation. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments as at the end of the current and prior years:

	Chinese baijiu		Wine		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**334,418**	319,175	**688,220**	626,404	**1,022,638**	945,579
Unallocated					**22,730**	32,896
					1,045,368	978,475
Segment liabilities	**41,027**	56,174	**153,347**	107,287	**194,374**	163,461
Unallocated					**88,357**	89,828
					282,731	253,289

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 segment as described in note 10 below; 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 years:

	Chinese baijiu		Wine		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Additions to non-current assets	**23,182**	19,160	**41,603**	50,330	**64,785**	69,490
Depreciation of property, plant and equipment	**6,074**	4,915	**10,587**	8,874	**16,661**	13,789
Amortisation of land use rights	**581**	565	**231**	225	**812**	790
Amortisation of intangible assets	**–**	–	**477**	781	**477**	781
Provision on impairment loss of trade and other receivables	**942**	–	**431**	500	**1,373**	500
Provision for obsolete inventories	**–**	–	**–**	267	**–**	267

Information about major customers

Included in revenue of approximately HK$37,296,000 (2011: HK$6,007,000) which arose from sales to the Group's largest customer (the wine segment). No other single customers contributed 10% or more to the Group's revenue for both 2012 and 2011.

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.

As at the end of the 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. PROFIT FROM OPERATING ACTIVITIES

	2012	2011
	HK$'000	*HK$'000*
Profit from operating activities has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Salaries and allowances	**47,180**	50,849
– Retirement benefits scheme contributions	**11,948**	7,923
Total staff costs	**59,128**	58,772
Auditors' remuneration	**1,114**	1,128
Amortisation of intangible assets	**477**	781
Amortisation of land use rights	**812**	790
Cost of inventories recognised as expenses	**143,860**	146,180
Provision for obsolete inventories	**–**	267
Provision on impairment loss of trade and other receivables	**1,373**	500
Depreciation	**16,661**	13,789
Research and development costs	**21**	1,110
Minimum lease payments under operating leases:		
Land and building	**2,268**	1,934

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**4,120**	4,752
Bank charges	**157**	81
	4,277	4,833

7. TAXATION

	2012	2011
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong profits tax	**–**	–
The PRC corporate income tax		
– current year	**17,272**	19,573
– under-provision in prior year	**1,074**	1,876
	18,346	21,449

Hong Kong Profits Tax

Hong Kong profits tax is calculated at 16.5% (2011: 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 has no assessable profits derived from Hong Kong for the year (2011: Nil).

As at 31 December 2012, the Group had estimated unused tax losses of approximately HK$64 million (2011: HK$55 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

The PRC Corporate 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 rate of 25% of all enterprises including foreign investment enterprises.

During the year ended 31 December 2011, Shangri-la Winery Company Limited has successfully applied a tax reduction from Yunnan State Administration of Taxation of the PRC for 3 years starting from 1 January 2011 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, is subject to corporate income tax rate of 25% and is entitled to full exemption from the PRC corporate 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 reported its fourth year profit since its establishment.

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

The tax rate applicable for all other subsidiaries established in the PRC is 25% (2011: 25%).

8. DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2012 (2011: Nil).

9. EARNINGS PER SHARE

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

	2012	2011
	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	**9,832**	45,585

	Number of shares	
	2012	2011
Weighted average number of shares for the purpose of basic and diluted earnings per ordinary share	**1,668,532,146**	1,668,532,146

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 2011, 31 December 2011 and 31 December 2012	177,959
Impairment	
At 1 January 2011, 31 December 2011 and 31 December 2012	–
Carrying amount	
At 31 December 2012	**177,959**
At 31 December 2011	177,959

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

	2012	2011
	HK$'000	*HK$'000*
Wine business	**130,428**	130,428
Chinese baijiu 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 baijiu 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 at discount rate of 16.0% per annum (2011: 11.2% per annum). The growth rates used are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU. Another key assumption for the value in use calculation 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 was no impairment of goodwill at 31 December 2012 and 2011.

11. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2011: 30 to 90 days) to its trade customers which major customers with whom specific terms have agreed.

	2012	2011
	HK$'000	*HK$'000*
Trade and bills receivables	**40,301**	33,981
Less: Impairment loss of trade and bills receivables	**(171)**	(206)
	40,130	33,775

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**39,844**	30,713
More than 30 days and within 60 days	**266**	462
More than 60 days and within 90 days	**–**	1,614
More than 90 days and within 180 days	**–**	986
More than 180 days and within 360 days	**20**	–
	40,130	33,775
Represented by:		
Receivables from related parties	**12,343**	2,504
Receivables from third parties	**27,787**	31,271
	40,130	33,775

All trade and bills receivables were denominated in Renminbi ("RMB").

12. TRADE PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**34,497**	33,609
More than 90 days and within 180 days	**7,558**	4,033
More than 180 days and within 360 days	**9,858**	6,148
	51,913	43,790

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

Turnover

The Group recorded a turnover of HK$366.2 million in 2012 (2011: HK$400.3 million), representing a decrease of 8.5% compared with last year. Wine and Chinese baijiu segments both diminished by 14.7% and 0.3% respectively to HK$194.2 million (2011: HK$227.7 million) and HK$172.0 million (2011: HK$172.5 million).

Cost of Sales

Cost of sales for Wine segment increased by 9.2% to HK$117.7 million as a result of the increase in general production costs whereas Chinese baijiu segment decreased by 17.0% to HK$62.1 million as economies of scale takes effect. The combined effect is that the gross production cost decreased slightly by 1.5% to HK$179.8 million (2011: HK$182.5 million).

Gross Profit

Gross profit was HK$186.4 million, representing a decrease of 14.4% (2011: HK$217.7 million). Wine and Chinese baijiu segments each accounted for HK$76.5 million and HK$109.9 million with gross profit margins of 39.4% and 63.9% respectively. Gross profit margin decreased by 3.5% to 50.9% (2011: 54.4%). The decrease in gross profit was as a result of the drop in sales volume and a higher production cost in the wine segment.

Selling and Distribution Expenses

Selling and distribution expenses increased by 5.3% to HK$103.5 million (2011: HK$98.4 million). Selling and distribution expenses as a percentage of turnover for the year increased slightly by 3.7% to 28.3% (2011: 24.6%). The increase was mainly due to the increase in overall advertisement expenses.

Administrative Expenses

As a result of the increase in general labour and logistic costs, administrative expenses increased by 13.1% to HK$56.2 million (2011: HK$49.7 million). Administrative expenses as a percentage of turnover increased by 2.9% to 15.3% (2011: 12.4%) due to a reduced turnover figure.

Profit Before Tax

Profit before tax decreased by 47.4% to HK$41.7 million in 2012 (2011: HK$79.3 million). Profit before tax margin reduced by 8.4% to 11.4% (2011: 19.8%).

Income Tax

Overall income tax decreased by 14.5% to HK$18.3 million (2011: HK$21.4 million) as a result of the decrease in both turnover and profit before tax.

Profit After Tax

Consequently, profit after tax for the year decreased by 59.6% to HK$23.4 million (2011: HK$57.8 million). Net profit after tax margin decreased by 8.1% to 6.4% (2011: 14.5%).

Profit Attributable to Owners

The profit attributable to owners of the Company decreased by 78.4% to HK$9.8 million (2011: HK$45.6 million). The margin of profit attributable to owners of the Company decreased by 8.7% to 2.7% (2011: 11.4%).

Liquidity and Financial Resources

Cash and bank borrowings

We generally finance our operation and capital expenditure by internally generated cash flows as well as banking facilities provided by our principal bankers. As at 31 December 2012, the Group had cash and cash equivalents of HK$132.9 million (2011: HK$189.8 million) representing a decrease of 30.0%. About 83.7% of our cash was denominated in RMB.

As at 31 December 2012, our net loan payment was HK$3.8 million and our total bank borrowings decreased by 3.0% to HK$62.8 million (2011: HK$64.7 million). All of our bank borrowings are denominated in RMB. We maintain sufficient cash and available banking facilities for our working capital requirements in the foreseeable future.

Capital expenditure

During the year, our total capital expenditure amounted to HK$64.8 million (2011: HK$69.5 million) which has been mainly used in the acquisition of machineries, construction of Shangri-la Masang Château and the development of YuQuan's storage and packaging facilities. For the year 2013, we have budgeted HK$70.0 million for capital expenditure.

Inventories

Our inventories primarily consisted of finished goods, goods in transit, work in progress as well as raw materials and packaging materials. The finished goods turnover ratio (average closing finished goods divided by cost of sales) was 227 days for the year ended 31 December 2012 (2011: 167 days). The increase was due to a higher level of inventory held at the end of the year.

Balance sheet analysis

As at 31 December 2012, the Group had total assets of HK$1,045.4 million (2011: HK$978.5 million) of which current assets amounted to HK$512.3 million (2011: HK$500.5 million) and non-current assets amounted to HK$533.1 million (2011: HK$478.0 million). Total liabilities of the Group included current liabilities of HK$260.6 million (2011: HK$207.4 million) and non-current liabilities of HK$22.1 million (2011: HK$45.9 million). Our total equity was composed of shareholders' equity of HK$664.6 million (2011: HK$642.1 million) and non-controlling interests of HK$98.1 million (2011: HK$83.1 million).

The Group's current ratio as at 31 December 2012 was 1.97 (2011: 2.41). Gearing ratio, representing total borrowings divided by total equity, was 8.23% (2011: 8.93%). Both ratios are at a healthy position.

Basic earnings per share attributable to the owners of the Company for the year ended 31 December 2012, being mainly affected by the wine business segment, decreased by 78.4% to HK0.59 cent (2011: HK2.73 cents).

Trade receivables turnover period (average trade receivables divided by turnover) was 29 days (2011: 28 days). The Group did not experience any material bad debts that required to be written off in 2012.

The Group had capital commitments amounted to HK$60.4 million (2011: HK$64.0 million). The Group had no other material contingent liabilities as at 31 December 2012.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2012, save as the related parties transactions, the five largest suppliers and customers of the Group are as follows:

The aggregate purchases attributable to the Group's five largest suppliers comprised 27.2% (2011: 20.6%) of the Group's total purchases and the purchases attributable to the Group's largest supplier were 9.0% (2011: 6.9%).

The aggregate sales attributable to the Group's five largest customers for the year ended 31 December 2012 were 40.0% (2011: 24.2%) and the sales attributable to the Group's largest customer were 10.0% (2011: 5.9%).

None of the directors, their associates or shareholders of the Company 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 2012, the Group was granted HK$16.8 million (2011: HK$8.2 million) subsidies from the local finance department in subsidizing the Group's technical development. Profits tax rate applied to subsidiaries established in the PRC ranged from 12.5% to 25%. The Hong Kong companies are 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 2012 (2011: Nil).

PLEDGE OF ASSETS

At 31 December 2012, the Group pledged its land, property, plant and equipments with net book value amounted to HK$48.3 million (2011: HK$49.7 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 RMB, there is natural hedge mechanism in place and currency exposure is relatively low. As such no material exchange rate risk is anticipated and no financial instruments for hedging purposes are employed.

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 exposures.

MATERIAL ACQUISITION AND DISPOSAL

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

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2012, the Group employed a total of 1,143 (2011: 1,261) full-time employees mostly at the Group's subsidiary factories and sales offices. Out of the total employment, 458 staff related to sales and marketing, 366 staff related to production, 171 staff related to management and 148 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 their employments.

ECONOMY OUTLOOK

With Europe's chronic debt crisis and the persistent, recurring budget calamity in fear of the fiscal cliff in the United States, global economy continued to be weak and unstable. China followed the same pattern also experienced a slower than 10 years average growth, causing weakness in consumer sentiment and overshadow the recovery in consumer market.

MARKET OVERVIEW

China market, just like markets in any other part of the world, is very sensitive to government policy. The tightening of entertainment expenditure by the Chinese government departments during the year has caused the Chinese liquor sector to tumble. State Council subsequently implemented stringent control over public spending on entertainment and gifting, causing the markets for high-end fine wine, especially those French first growth and high-end baijiu to plunge.

PERFORMANCE HIGHLIGHTS

Under this complicated market climate and a slower-than-expected market recovery, the Group has experienced a modest decrease in sales of 8.5% to HK$366.2 million. With the overall market sentiment remaining weak and excess inventory in the distribution channels, there are more discounting and pressure on price, causing gross profit margin to reduce to 50.9%. At the same time, production costs, expenses and wages in particular, continued to climb leading to a first time ever declined in overall profit since 2007. Our profit for the year dropped by 59.6% to HK$23.4 million or a return on equity of 6.3%.

YUQUAN BAIJIU

The results of the Group were polarized in such a way that specific market and the overall China market went in opposite extreme. The depression on high-end baijiu has made way for the growth of second tier and provincial baijiu. Our YuQuan baijiu, being the leading baijiu brand in Harbin, has benefited and the results soared. Notwithstanding the formidable backdrop, YuQuan managed to achieve a record-high profit of HK$40.3 million, representing an increase of 31.3%. Though turnover of YuQuan remained quite stable, change in product mix and effective costs control had successfully increased the segment margin by 12.5% and reduced the selling and distribution expenses by 8.8%. YuQuan's performance is remarkable.

BAIJIU MARKETING

In Chinese history, baijiu and art were closely related as they both brought pleasure and enjoyment to people. The marketing campaign on combining art and culture to YuQuan's premium products has proved to be a great success. As a grand annual event in continuation of its cultural and elegant marketing phenomenon, on 6 January 2013, YuQuan sponsored and hosted the "Lang Lang – Yuquan • Elegant Harmony Harbin New Year Concert". Starred by the famous international pianist Lang Lang, the concert was hosted at the Harbin International Exhibition and Sports Center Stadium. This type of annual event has become more than just a marketing event and become a kind of social responsibility initiative for YuQuan to contribute to the community of its hometown by supporting Harbin's social and cultural development.

For baijiu operation, the Group maintains its focuses in core values and key strategic initiatives by consistently investing in enhancement and driving of brand awareness for our core baijiu products: "YuQuan Harmonious Elegant Series (玉泉和諧清雅系列)" and "YuQuan Vintage Series (玉泉年份酒系列)". Since 2008, YuQuan has always been committed to building a stronger brand. After four consecutive years' marketing effort, YuQuan has achieved substantial growth in terms of revenue and profits and stand out as one of the most significant baijiu brand in the Heilongjiang province.

FUTURE DEVELOPMENT FOR BAIJIU

As the baijiu business is growing rapidly, we have planned to expand the current production site by acquiring additional 17,127 square meters of adjacent land to cope with future development. The initial investment is budgeted to be at around RMB65 million and is currently waiting for the approval of the local planning department.

SHANGRI-LA WINERY

It is a difficult year for Shangri-la Winery. Not only that it is still in the middle of transformation, exorbitant production, increasing raw materials, labour, logistic and marketing costs fuelled by the emergence of a hyper competitive retail climate caused by the flood of imported wine trembled the wine market in China. Throughout the wine industry, there is relentless steep discount as competitors fought to defend market share by sacrificing profit margins. The rise in both production and operating costs combined with fierce market competition leaded to a substantial decline in Shangri-la Winery's performance. Turnover of the wine operation plunged 13.5% to HK$190.6 million. Gross profit margin has dropped to 40.0% leading to an operating loss of HK$8.3 million.

MARKETING EFFORT FOR SHANGRI-LA WINERY

In order to counter the declining sales, Shangri-la Winery is enhancing sales promotion campaigns by increasing expenditure in advertisement and providing additional sales incentives to major dealers to boost sales in its main markets, especially during the latter part of the year. Shangri-la Winery has also maintained a higher level of inventory as at the end of the year with the view to support potential turnover resulted from the promotion campaigns. Though such campaigns may not be able to result in immediate profit, it was however necessary, especially in a weak market sentiment to protect our market share and enhance brand awareness. The inventory level is expected to gradually decrease as the campaigns start to take effect in the coming year. We believe that we are in a good position to return to growth track as we already saw solid sales growth despite severe competition in the industry in the first quarter of 2013.

YuQuan had rolled-out new concept stores last year which had demonstrated great success and we will apply the same for Shangri-la Winery's business. Initial concept shops will be launched in our major markets in Yunnan, Jiangsu and Fujian provinces.

RECRUITMENT OF NEW MANAGEMENT TEAM

The Group has recruited new experienced management for Shangri-la Winery's operation with the belief that the new management could bring expertise in the relevant areas to support the business development of the wine business and the Group's business operation as a whole.

QUALITY WINE

Despite its results, Shangri-la Winery's commitment in producing fine wine will never change. Shangri-la plateau and the new Shangri-la plateau "A" series products continue to win industry recognition. After taking home Gold and Silver medals for the 2008 Vinalies China, Shangri-la plateau 2100 and 9^{o} tibetan barley wine have been accredited as 'Top Ten Wines in Yunnan', and the plateau "A" series had won the Gold and Silver medals in the 5th and 6th Colombin Cup Yantai International Wine Competition respectively. "Shangri-la" brand remains as "Chinese famous brand" and "Tin Lai (天籟)" brand, a sub-brand of Shangri-la, still remains as "Yunnan's famous brand". Shangri-la Winery had also successfully renewed HACCP, ISO 9001 and certificates for organic product certification issued by China Quality Certification Centre.

INTERNAL CONTROL AND COSTS CONTROL MEASURES

Due to the expansion of the operation for both Shangri-la Winery and YuQuan, the administrative expenses and operating costs of the Group as well as the related depreciation and amortization increased significantly, albeit that the sales generated were not increased at the same pace as anticipated. The Group has tightened its costs control to monitor its overhead costs and improve operating efficiency. Each business segment throughout the Group is required to rationalize its operating costs to keep costs at a minimum.

During the past two years, the Group has development plan for new production facilities at Shangri-la Deqin winery and Yantai's Masang Château. In light of the adverse market environment, the Group has scaled down the development and will wait until market conditions in China improve before development continues.

ACQUISITION AND EXPANSION

The YuQuan acquisition is a showcase example for the Group's success in acquisition and development of a baijiu business. The Group will continue to pursue acquisition opportunities to support strategic growth. The Group is looking into any provincial baijiu acquisition opportunities which could strategically strengthen the Group's geographical presence in certain areas in China. This acquisition strategy is in line with the Group's overall strategy of enhancing its product range through increased collaboration with renowned baijiu brands. In this regard, the Group is exploring and discussing with its holding company and other baijiu companies for any investment and acquisition opportunities.

PROSPECTS

Despite all the uncertainties and pessimism in the market, we also observed certain level of resilience in the retail market. This resilience marked a separation from the general trend in the Chinese economy, supporting our long-term view that the retail market would primarily benefit from the continued rise in spending power and consumption demand.

It is widely expected that the Chinese Government would take measures to stimulate economic growth, thereby leading to a market recovery. Such recovery is expected to boost demand for our products. We will be aware of the challenges in the business environment arising from these changes, which might result in higher costs and squeezed profit margins. However, we also recognize the opportunities by product optimization and increasing market penetration for better business growth.

We believe that the costs control measures and sales promotion campaigns implemented during the year under review will position us well in capturing growth in the wine and baijiu markets as the economy improves. Though we expect that the operating environment in year 2013 might not be less challenging than 2012, we are optimistic over the long term prospects of the market in China.

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 2012. The Audit Committee was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

CORPORATE GOVERNANCE CODE

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Former CG Code") set out in Appendix 14 of the Listing Rules, and the revised code, namely Corporate Governance Code (the "New CG Code") became effective on 1 April 2012. The Company has met all code provisions set out in the Former CG Code during the period from 1 January 2012 to 31 March 2012 and the New CG Code during the period from 1 April 2012 to 31 December 2012.

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

Hong Kong, 27 March 2013

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*