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 2014

The board (the "Board") of directors (the "Directors") of JLF Investment Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*3*	**255,379**	336,563
Cost of sales		**(147,037)**	(172,635)
Gross profit		**108,342**	163,928
Other revenue		**12,619**	17,610
Selling and distribution expenses		**(96,466)**	(98,886)
Administrative expenses		**(69,629)**	(63,124)
Other operating expenses		**(178,732)**	(87,715)
Loss from operating activities	*5*	**(223,866)**	(68,187)
Finance costs	*6*	**(3,947)**	(3,918)
Loss before taxation		**(227,813)**	(72,105)
Taxation	*7*	**1,911**	(7,660)
Loss for the year		**(225,902)**	(79,765)
Attributable to:			
Owners of the Company		**(193,044)**	(81,975)
Non-controlling interests		**(32,858)**	2,210
		(225,902)	(79,765)
Loss per share attributable to owners of the Company			
Basic and diluted	*9*	**HK(11.57) cents**	**HK(4.91) cents**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(225,902)**	(79,765)
Other comprehensive (expense) income, net of income tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(10,713)**	15,192
Total comprehensive expense for the year	**(236,615)**	(64,573)
Attributable to:		
Owners of the Company	**(200,650)**	(68,495)
Non-controlling interests	**(35,965)**	3,922
	(236,615)	(64,573)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Land use rights		**27,678**	29,079
Property, plant and equipment		**294,520**	300,457
Intangible assets		**9,192**	36,582
Available-for-sale investment		**1,810**	1,847
Goodwill	10	**–**	144,449
		333,200	512,414
Current assets			
Inventories		**248,056**	246,293
Trade and bills receivables	11	**23,052**	39,450
Prepayments, deposits paid and other receivables		**32,659**	77,609
Tax recoverable		**1,270**	–
Cash and cash equivalents		**105,455**	141,623
		410,492	504,975
Total assets		**743,692**	1,017,389
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**16,685**	16,685
Reserves		**378,725**	579,375
		395,410	596,060
Non-controlling interests		**66,039**	102,004
Total equity		**461,449**	698,064
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**15,711**	22,736
Bank borrowing – due after one year		**–**	64,445
		15,711	87,181
Current liabilities			
Trade payables	12	**48,548**	49,667
Accruals, deposits received and other payables		**152,402**	174,727
Amounts due to a related party		**1,263**	1,289
Bank borrowing – due within one year		**63,150**	–
Tax payables		**1,169**	6,461
		266,532	232,144
Total liabilities		**282,243**	319,325
Total equity and liabilities		**743,692**	1,017,389
Net current assets		**143,960**	272,831
Total assets less current liabilities		**477,160**	785,245

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

(i) Revised HKFRSs and the new interpretation adopted by the Group

In the current year, the Group has applied the following revised HKFRSs and the new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of these amendments in the current year has no material impact on the Group's financial performance and positions for the current and prior years.

(ii) New and revised HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2014

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

HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted

[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA as well as the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. They have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period.

3. TURNOVER

	2014	2013
	HK$'000	*HK$'000*
Production and distribution of wine	**161,607**	190,628
Production and distribution of Chinese baijiu	**93,772**	145,935
	255,379	336,563

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 on 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:

	Wine		**Chinese baijiu**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**161,607**	190,628	**93,772**	145,935	**255,379**	336,563
Segment (loss) profit	**(109,855)**	(70,721)	**(100,787)**	16,771	**(210,642)**	(53,950)
Unallocated corporate income					**847**	851
Unallocated corporate expenses					**(14,071)**	(15,088)
Finance costs					**(3,947)**	(3,918)
Loss before taxation					**(227,813)**	(72,105)
Taxation					**1,911**	(7,660)
Loss for the year					**(225,902)**	(79,765)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment results represented the (loss incurred) profit 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 for the current and prior years:

	Wine		**Chinese baijiu**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**497,004**	609,451	**241,111**	398,984	**738,115**	1,008,435
Unallocated					**5,577**	8,954
					743,692	1,017,389
Segment liabilities	**143,287**	142,174	**56,260**	86,137	**199,547**	228,311
Unallocated					**82,696**	91,014
					282,243	319,325

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 and all liabilities are allocated to reportable segments except for bank borrowing, deferred tax liabilities and other financial liabilities which are managed on a group basis.

Other segment information

The following is an analysis of the Group's other segment information for the current and prior years:

	Wine		**Chinese baijiu**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Additions to non-current assets	**18,917**	13,719	**5,144**	17,000	**24,061**	30,719
Depreciation of property, plant and equipment	**15,398**	15,966	**7,029**	7,217	**22,427**	23,183
Amortisation of land use rights	**234**	237	**587**	596	**821**	833
Amortisation of intangible assets	**437**	484	**–**	–	**437**	484
Impairment losses of trade and other receivables	**–**	–	**–**	82	**–**	82
Write-down of obsolete inventories	**–**	54,205	**7,928**	–	**7,928**	54,205
Impairment loss of goodwill	**96,918**	33,510	**47,531**	–	**144,449**	33,510
Impairment loss of trademark	**–**	–	**26,355**	–	**26,355**	–

Information about major customers

Included in revenue of approximately HK$27,684,000 (2013: HK$33,832,000) and HK$16,184,000 (2013: HK$25,639,000) which arose from sales to the Group's largest customers for the wine segment and Chinese baijiu segment respectively. No other single customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

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. LOSS FROM OPERATING ACTIVITIES

	2014	2013
	HK$'000	*HK$'000*
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**44,838**	46,619
– Retirement benefits scheme contributions	**10,428**	11,022
Total staff costs	**55,266**	57,641
Auditors' remuneration	**1,000**	1,094
Amortisation of intangible assets	**437**	484
Amortisation of land use rights	**821**	833
Cost of inventories recognised as expenses	**119,943**	142,340
Loss on disposal of property, plant and equipment	**1,678**	2,757
Write-down of obsolete inventories*	**7,928**	54,205
Impairment losses of trade and other receivables	**–**	82
Impairment loss of goodwill*	**144,449**	33,510
Impairment loss of trademark*	**26,355**	–
Depreciation of property, plant and equipment	**22,437**	23,183
Research and development costs	**60**	28
Minimum lease payments under operating leases:		
– Land and building	**1,770**	1,414

* These items are included in "Other operating expenses" in the consolidated statement of profit or loss.

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowing:		
– wholly repayable within five years	**3,947**	3,857
Bank charges	**–**	61
	3,947	3,918

7. TAXATION

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**11**	–
The PRC Corporate Income Tax		
– current year	**3,345**	7,575
– under-provision in prior year	**1,322**	85
Deferred tax	**(6,589)**	–
	(1,911)	7,660

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for both years.

As at 31 December 2014, the Group had estimated unused tax losses of approximately HK$88,761,000 (2013: HK$75,497,000) 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 was abolished. The New Tax Law adopts a uniform tax 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 with the tax rate of 15% from Yunnan State Administration of Taxation of the PRC for 3 years starting from 1 January 2011 and was expired on 31 December 2013. During the year ended 31 December 2014, the tax reduction was renewed by Yunnan State Administration of Taxation of the PRC for 3 years starting from 1 January 2014 and the tax rate was 20%.

The tax rate applicable for all other subsidiaries established in the PRC was 25% (2013: 25%).

8. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

9. LOSS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per ordinary share	**(193,044)**	(81,975)

	Number of shares	
	2014	2013
Weighted average number of shares for the purpose of basic and diluted loss per ordinary share	**1,668,532,146**	1,668,532,146

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

10. GOODWILL

	HK$'000
Cost	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	177,959
Accumulated impairment losses	
At 1 January 2013	–
Impairment loss recognised for the year	33,510
At 31 December 2013 and 1 January 2014	33,510
Impairment loss recognised for the year	144,449
At 31 December 2014	**177,959**
Carrying amounts	
At 31 December 2014	**–**
At 31 December 2013	144,449

Goodwill is allocated to the Group's cash generating units identified according to businesses as follows:

	2014	2013
	HK$'000	*HK$'000*
Wine business	**–**	96,918
Chinese baijiu business	**–**	47,531
	–	144,449

Impairment test of goodwill

During the year, the management of the Company has reviewed the operation and development of the Group's business in the PRC. Following the ongoing PRC government's policy for cracking down on extravagant spending in government departments and stated-owned institutions and enterprises, the management of the Company believed that the Group's expected revenue generated from wine and Chinese baijiu businesses will be affected and the overall market situation of the industry remains challenging. Based on the current year's assessment, the impairment losses of approximately HK$96,918,000 (2013: HK$33,510,000) and HK$47,531,000 (2013: Nil) were recognised for the goodwill relating to the wine and Chinese baijiu businesses respectively. The assessment was made based on management's cash flow projections derived from the latest expected revenue growth and profitability of the wine and Chinese baijiu businesses and the PRC economy.

11. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2013: 30 to 90 days) to its trade customers.

	2014	2013
	HK$'000	*HK$'000*
Trade and bills receivables	**23,133**	39,707
Less: Impairment losses recognised for the year	**(81)**	(257)
	23,052	39,450

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 impairment losses, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**6,027**	37,740
More than 30 days and within 60 days	**–**	1,710
More than 60 days and within 90 days	**1,082**	–
More than 90 days and within 180 days	**15,943**	–
More than 180 days and within 360 days	**–**	–
At 31 December	**23,052**	39,450
Represented by:		
Receivables from related parties	**17,969**	29,811
Receivables from third parties	**5,083**	9,639
	23,052	39,450

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

The movements in impairment losses of trade and bills receivables are as follows:

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**257**	171
Exchange alignment	**(5)**	6
Impairment losses recognised	**–**	82
Written off during the year as uncollectible	**(171)**	–
Reversal of impairment losses	**–**	(2)
At 31 December	**81**	257

The Group does not hold any collateral over these balances.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**7,109**	39,450
One to six month past due	**15,943**	–
Six months to one year past due	**–**	–
	23,052	39,450

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

At 31 December 2014, receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 90 days	**38,798**	36,730
More than 90 days and within 180 days	**2,015**	3,394
More than 180 days and within 360 days	**7,735**	9,543
	48,548	49,667

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

Turnover

During the year, as a result of the ongoing government administration in restricting ostentatious spending, the sales of the Group's high-end products were seriously affected which led to a decrease in gross turnover by 24.1% to HK$255.4 million (2013: HK$336.6 million).

The Chinese baijiu segment, which accounted for 36.7% (2013: 43.4%) of the Group's total turnover, was badly hit and recorded a significant decline in turnover as demand for high-end Chinese baijiu, especially those consumed at official banquets almost stub out. Turnover of the Chinese baijiu segment dropped by 35.7% to HK$93.8 million (2013: HK$145.9 million).

With product mix adjusted in favour of products for mass market, the impact on the wine segment was not as significant as the Chinese baijiu segment. Turnover of the wine segment, which accounted for 63.3% (2013: 56.6%) of the Group's total turnover, has dropped by 15.2% to HK$161.6 million (2013: HK$190.6 million).

Cost of Sales

Cost of sales for wine segment decreased by 18.9% to HK$92.5 million (2013: HK$114.1 million) as turnover declined. Despite the significant drop in turnover of the Chinese baijiu segment, the magnitude of cost of sales just decreased slightly by 6.9% to HK$54.5 million (2013: HK$58.5 million) reflecting higher cost margin on products sold. As a result, the total cost of sales decreased by 14.8% to HK$147.0 million (2013: HK$172.6 million). Cost of sales to total turnover increased from 51.3% to 57.6% reflecting higher marginal cost, in particular, higher material costs, labour and manufacturing overheads.

Gross Profit

Gross profit decreased by 33.9% to HK$108.3 million (2013: HK$163.9 million). Wine and Chinese baijiu segments each accounted for HK$69.0 million and HK$39.3 million respectively. Gross profit margin of wine segment increased slightly by 2.6% to 42.7% (2013: 40.1%) whereas Chinese baijiu segment sharply fell by 18.0% to 41.9% (2013: 59.9%) leading to a reduction in the Group's gross profit margin by 6.3% to 42.4% (2013: 48.7%).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 2.4% to HK$96.5 million (2013: HK$98.9 million) mainly due to the reduced sales commission. Yet due to the reduced turnover, selling and distribution expenses as a percentage of turnover increased by 8.4% to 37.8% (2013: 29.4%) for the year.

Administrative Expenses

Administrative expenses increased by 10.3% to HK$69.6 million (2013: HK$63.1 million). Such increase was mainly attributable to the one-off relocation cost of bottling facilities from Kunming to Shangri-la Diqing Economic Development Zone.

Other Operating Expenses

Other operating expenses demonstrated a substantial increase by 103.8% to HK$178.7 million (2013: HK$87.7 million), within which the major components were the provision for slow-moving inventories and the impairments of goodwill and trademark. During the year, certain inventories amounted to HK$7.9 million (2013: HK$54.2 million) have been written down. Due to continuous deterioration in both wine and Chinese baijiu's operating results, and after considered the valuation report proposed by an independent valuer, we decided to fully write off the goodwill in relation to the wine and Chinese baijiu businesses which amounted to HK$96.9 million (2013: HK$33.5 million) and HK$47.5 million (2013: Nil) respectively, leading to a total goodwill impairment of HK$144.4 million (2013: HK$33.5 million). In addition, trademark in relation to Chinese baijiu business which amounted to HK$26.4 million (2013: Nil) was also impaired. After such adjustments, there will be no goodwill and trademark recorded in the Group's financial.

Loss Before Tax

The combined effect of the decline in gross turnover and gross profit and the increase in operating expenses resulted in a loss before tax of HK$227.8 million (2013: HK$72.1 million).

Taxation

Taxation comprises current income tax and deferred tax income. Current income tax reduced by 39.1% to HK$4.7 million (2013: the HK$ 7.7 million). During the year, deferred tax liabilities amounted to HK$6.6 million (2013: Nil) were credited to the consolidated statement of profit or loss as a result of the impairment of trademark.

Loss Attributable to Owners

Loss attributable to owners of the Company was HK$193.0 million (2013: HK$82.0 million). Basic loss per share attributable to the owners of the Company for the year ended 31 December 2014 was HK11.57 cents (2013: HK4.91 cents). Loss for the year was HK$225.9 million (2013: HK$79.8 million). Taking out the effects of the one off items relating to goodwill and trademark impairments etc., the aggregate loss would have been HK$42.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Bank Borrowing

We generally finance our operation and capital expenditure by internal generated cash flows as well as banking facilities provided by our principal bankers. As at 31 December 2014, the Group had cash and cash equivalents of HK$105.5 million (2013: HK$141.6 million), representing a decrease of 25.5%. The Group's cash position was deteriorated over the year as a result of net cash outflow from operation. About 94.6% (2013: 93.8%) of our cash was denominated in RMB.

As at 31 December 2014, our total bank borrowing decreased by 2.0% to HK$63.2 million (2013: HK$64.4 million). All of our bank borrowings are denominated in RMB. In view of the Group's cash and bank balances, funds generated internally from our operation and the unutilized banking facilities available, we are confident that the Group will have sufficient resources to meet its debt commitment and working capital requirements in the foreseeable future.

Capital Expenditure

During the year, our total capital expenditure amounted to HK$23.8 million (2013: HK$30.7 million) which was mainly used for the purchase of machineries and the construction of Shangri-la Masang Château. For the year 2015, we have budgeted HK$21.5 million for capital expenditure.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. The Group's inventories increased slightly by 0.7% to HK$248.1 million (2013: HK$246.3 million). Finished goods decreased by 5.4% to HK$60.7 million (2013: HK$64.2 million) and finished goods turnover ratio (being average closing finished goods divided by cost of sales) was 155 days for the year ended 31 December 2014 (2013: 199 days).

Balance Sheet Analysis

As at 31 December 2014, the Group had total assets of HK$743.7 million (2013: HK$1,017.4 million) of which current assets amounted to HK$410.5 million (2013: HK$505.0 million) and non-current assets amounted to HK$333.2 million (2013: HK$512.4 million). The sharp drop in total assets was mainly due to the impairments of goodwill and trademark.

Total liabilities of the Group included current liabilities of HK$266.5 million (2013: HK$232.1 million) and non-current liabilities of HK$15.7 million (2013: HK$87.2 million). The decrease in non-current liabilities was mainly due to the reclassification of long-term bank loan to short-term bank loan.

Our total equity was composed of owners equity of HK$395.4 million (2013: HK$596.1 million) and non-controlling interests of HK$66.0 million (2013: HK$102.0 million).

The Group's current ratio as at 31 December 2014 was 1.5 (2013: 2.2). Gearing ratio, representing total borrowings divided by total equity, was 13.7% (2013: 9.2%). Both ratios are at healthy level indicating that the Group is able to meet its short-term and long-term debts.

Trade receivables turnover (being average trade receivables divided by turnover) was 13 days (2013: 20 days). The Group did not experience any material bad debts that required to be written off in 2014.

The Group had capital commitments amounted to HK$49.6 million (2013: HK$55.2 million). The Group had no material contingent liabilities as at 31 December 2014.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 48.0% (2013: 39.2%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 16.1% (2013: 14.9%). The Group's five largest customers accounted for 34.0% (2013: 32.9%) of the Group's total turnover and the sales attributable to the Group's largest customer was 7.6% (2013: 7.6%).

None of the Directors, their close associates or shareholders of the Company which, to the knowledge of the Directors, 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

During the year, the Group has been granted an aggregate amount of HK$10.5 million (2013: HK$14.2 million) from the respective local finance department in subsidising the Group's technical development.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

PLEDGE OF ASSETS

At 31 December 2014, the Group pledged its land, property, plant and equipment with net book value amounted to HK$38.8 million (2013: HK$44.6 million) to secure general banking facilities granted.

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 risk 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 adjustment of the RMB against the United States dollar has 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 or associated companies by the Group.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2014, the Group employed a total of 869 (2013: 1,057) full time employees, in which 266 staff were related to sales and marketing, 330 staff were related to production, 60 staff were related to management and 213 staff were related to administration. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage and provident fund schemes (as the case may be) to its employees in compliance with the applicable laws and regulation.

ECONOMY OUTLOOK

The world economy continues to pick up since the second half of 2014 yet recovery remains fragile. Many developed countries continue to grapple with legacies from the global financial crisis and emerging economies are less dynamic than in previous years.

China being the powerhouse for Asia's growth has its 2014 gross domestic products growth reduced to 7.4% against a backdrop of economic reforms. Such growth rate was the lowest in 24 years. With the government effort to contain vulnerabilities via fiscal and monetary policies supported by administrative measures, there are signs that growth deceleration is under control. This new economic norm will eventuate and gradually become consensus in the government and business sectors. The adjustments of domestic market and business sentiment continue to redefine challenges and opportunities facing the new China market. With continuous slowdown of economic growth and fierce competition brought by e-commerce and imports, challenges in China's wine and Chinese baijiu industry remain.

FINANCIAL OVERVIEW

In response to the grim market condition, we have carried out a series of reforms and transformations to gradually adjust our business model and operation approach through implementation of cost reduction and management innovation, with an aim to stabilize the performance of the Group. To streamline production and centralize control, we have completed the relocation of bottling facilities from Kunming to Shangri-la Diqing Economic Development Zone such that the bottling facilities are housed together with the production plant. This relocation effort can be converted into an annual cost saving of approximately HK$2.5 million. Due to the deterioration of results for the consecutive years, we have decided to write off all goodwill and other related intangibles, as a result of which there will be less distortion to future financial results.

2014 was the worst year of all time for the Group. The year's total turnover was HK$255.4 million (2013: HK$336.6 million), representing a decrease of 24.1% compared to the same period last year and loss for the year was HK$225.9 million (2013: HK$79.8 million). Without taking into account the impairment of intangibles which are non-cash nature and one off items, the aggregate loss would have been HK$42.0 million. Loss attributable to owners of the Group was HK$193.0 million (2013: HK$82.0 million) and basic loss per share was HK11.57 cents (2013: HK4.91 cents).

BUSINESS OVERVIEW

The Group has been progressively carrying out effective promotional activities in order to further enhance its brand awareness. During the year, we have participated in Vinexpo, the largest international event for wine and liquor business and was well received in the industry. Our Shangri-la Plateau "A" series and Dai Zang Mi (大藏秘) series had attracted enormous attention and earned high recognition from various wine experts. We will continue to participate in similar events in order to gain more international exposure and take our brand awareness to the international stage. Shangri-la Winery had joined the 6th Asian Wine Competition in April 2014. The Plateau 2100 cabernet sauvignon of 2009 vintage and Plateau A5 cabernet sauvignon of 2011 vintage were both awarded silver prizes in the competition.

In 2014, our Yuquan brand was also awarded the "Heilongjiang Famous Brand" issued by Heilongjiang Provincial Quality and Technical Supervision Bureau and the "Yuquan" trademark was awarded the "Famous Trademark" of the Harbin city. All of these have demonstrated the wide recognition of our brands and products and the result of our brand building effort.

Apart from the above, we have earned a total of eight titles on the design and production of our 2013 annual report in the 28th International ARC Awards organized by MerComm, Inc.* and was honored the best 100 Annual Reports of 2014 in the ARC 100 Gallery. This was encouraging as our efforts in corporate communications were being rewarded with such prestigious awards.

We are planning to gradually enhance the quality of our distributors in the coming two to three years. We also actively maintain and expand our VIP customer base and interact with our VIP customers through different channels in order to better understand their needs. We believe such initiatives will help us to enhance our brand image, increase the target consumers' awareness and customer loyalty for our Shangri-la and Yuquan brands.

On top of the core strategies of enhancing brand value and product quality, we also aim at improving our overall operational efficiency to sustain growth in various aspects of operations. For our distribution channels, we have adjusted the number of distributors by closing those with unsatisfactory performance. We have been focusing on quality rather than quantity when expanding our distribution network. We are working closely with our distributors on our network channel management to present our brand image and deliver the best refined service to our consumers. Besides, the Group has begun to sell products on a consignment model in specific markets since the second half of 2014 aiming to diversify our sales channel. We believe a combination of wholesale, retail and consignment models in our business could create synergy by enhancing inventory management and logistic efficiency. This is particularly essential to our effort in maintaining an effective inventory mix and increasing the inventory turnover rate. All of these measures will in turn improve our revenue and profits and sustain future growth.

PROSPECTS

Looking ahead, although China's economy and consumption market are slowing down and keen competition persists, we remain optimistic about the future of the country's wine and Chinese baijiu market. The swelling middle class will together generate enormous long-term demand for quality products. The Group will closely monitor the trend and grasp possible development opportunities with our unique brand offerings. In terms of our management policies, the Group will focus on continuing to streamline productivity in our existing factories, enhancing both efficiency and our overall services in order to support the development of our brand image.

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.

* *The International ARC Awards, organized by MerComm Inc., is the world's largest and independent international competition honoring excellence in annual reports and is considered the most highly respected and prestigious award by industry peers and is dubbed the "Academy Awards of Annual Reports".*

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2014, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for the deviations from code provisions A.6.7 and E.1.2 which are explained as follows:

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. E Meng and Mr. Cao Kuangyu, being independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 16 June 2014 (the "2014 AGM") due to their overseas business engagement.

Code provision E.1.2 provides that the chairmen of the board and board committees should attend the annual general meeting to be available to answer questions thereat. Mr. Wu Xiang Dong, being the chairmen of the Board and Nomination Committee, was unable to attend the 2014 AGM due to his overseas business engagement. However, Mr. Yan Tao, being the vice-chairman of the Board, took the chair of the 2014 AGM and the chairmen of the Audit Committee and Remuneration Committee, the company secretary and the auditors attended the 2014 AGM. The Company considers that their presence is sufficient for effective communication with shareholders at the 2014 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Upon specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The Audit Committee comprises the 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 Group's annual results for the year ended 31 December 2014. The Audit Committee was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

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

Hong Kong, 27 March 2015

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. Ng Kwong Chue, Paul and Mr. Zhang Jian and three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. E Meng and Mr. Cao Kuangyu.

* *for identification purpose only*