VATS

金六福投資有限公司*

JLF Investment Company Limited

(Incorporated in Bermuda with limited liability)

For the period from 1 January 2010 to 30 June 2010

(Stock Code：HK00472)

INTERIM REPORT

* For identification purpose only

Contents

The board (the "**Board**") of directors (the "**Directors**") of JLF Investment Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "**Group**") for the six months ended 30 June 2010, together with the comparative results for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**98,689**	86,388
Cost of sales		**(36,059)**	(40,510)
Gross profit		**62,630**	45,878
Other revenue		**6,402**	1,019
Selling and distribution costs		**(35,475)**	(18,050)
Administrative expenses		**(13,466)**	(12,923)
Profit from operations	*5*	**20,091**	15,924
Finance costs		**(2,981)**	(2,096)
Profit before taxation		**17,110**	13,828
Taxation	*6*	**(4,915)**	(3,927)
Profit for the period		**12,195**	9,901

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the Company		**9,607**	8,666
Non-controlling interests		**2,588**	1,235
		12,195	9,901
Earnings per share for profit attributable to the owners of the Company during the period (expressed in HK cents)			
Basic and diluted (2009: Restated)	*7*	**HK0.59 cents**	HK0.52 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**12,195**	9,901
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**367**	1,132
Total comprehensive income for the period	**12,562**	11,033
Attributable to:		
Owners of the Company	**9,974**	9,798
Non-controlling interests	**2,588**	1,235
	12,562	11,033

The accompanying notes form an integral part of these condensed interim financial statements.

All of the Group's operations are classed as continuing.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		**28,223**	28,576
Property, plant and equipment		**130,806**	130,825
Intangible assets		**34,177**	36,233
Goodwill		**177,959**	177,959
		371,165	373,593
Current assets			
Inventories		**153,630**	107,228
Trade receivables	*8*	**14,880**	27,254
Prepayment, deposit and other receivables		**51,453**	42,018
Bank balances and cash		**210,956**	90,528
		430,919	267,028
Total assets		**802,084**	640,621

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
EQUITY			
Capital and reserve attributable to the owners of the Company			
Share capital	9	**16,685**	13,904
Share premium and reserves		**541,997**	375,115
		558,682	389,019
Non-controlling interests		**62,420**	59,832
		621,102	448,851
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year		**22,727**	22,727
Deferred tax liabilities		**19,959**	19,959
		42,686	42,686
Current liabilities			
Trade payables	10	**27,956**	29,538
Accruals, deposit received and other payables		**28,678**	29,158
Amounts due to related parties		**15,756**	10,576
Bank borrowings – due within one year		**62,705**	73,864
Tax payables		**3,201**	5,948
		138,296	149,084

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2010 (Unaudited) *HK$'000*	As at 31 December 2009 (Audited) *HK$'000*
Total liabilities	**180,982**	191,770
Total equity and liabilities	**802,084**	640,621
Net current assets	**292,623**	117,944
Total assets less current liabilities	**663,788**	491,537

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009 (audited)	13,904	253,010	24,467	11,837	55,242	358,460	54,071	412,531
Total comprehensive income for the period	–	–	1,132	–	8,666	9,798	1,235	11,033
At 30 June 2009 (unaudited)	13,904	253,010	25,599	11,837	63,908	368,258	55,306	423,564
At 1 January 2010 (audited)	13,904	253,010	25,526	15,701	80,878	389,019	59,832	448,851
Issue of shares on open offer	2,781	164,072	–	–	–	166,853	–	166,853
Issuing cost on open offer	–	(7,164)	–	–	–	(7,164)	–	(7,164)
Total comprehensive income for the period	–	–	367	–	9,607	9,974	2,588	12,562
At 30 June 2010 (unaudited)	16,685	409,918	25,893	15,701	90,485	558,682	62,420	621,102

The accompanying notes form an integral part of these condensed interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(24,704)**	3,261
Net cash used in investing activities	**(3,398)**	(4,418)
Net cash generated from financing activities	**148,530**	11,363
Net increase in cash and cash equivalents	**120,428**	10,206
Cash and cash equivalents at beginning of period	**90,528**	71,747
Cash and cash equivalents at end of period	**210,956**	81,953
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**210,956**	81,953

The accompanying notes form an integral part of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2010 (in HK Dollars)

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is VATS Group Limited which is incorporated in The People's Republic of China (the "PRC").

The address of the register office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are engaged in production and distribution of wine and Chinese liquor.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

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

The accounting policies are adopted consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

During the period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (''INTs'') issued by the HKICPA, which are effective for the Group's accounting periods beginning on 1 January, 2010.

HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvement to HKFRSs 2009
HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter
HKFRS 2 (Amendments)	Amendment to HKFRS 2 Share-based Payments – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combination
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in parent ownership in a subsidiary.

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

3. TURNOVER

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Production and distribution of wine	**67,724**	54,677
Production and distribution of Chinese liquor	**30,965**	31,711
	98,689	86,388

4. OPERATING SEGMENTS

In accordance with the Group's internal financial reporting framework, the Group has identified operating segments based on similar products. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has two reportable segments, (i) production and distribution of wine and (ii) production and distribution of Chinese liquor. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2009.

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

Operating segment information is presented below:

(a) Segment revenue and results

The segment results of the Group for the six months ended 30 June 2010 and 2009

	Chinese liquor		Wine		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**30,965**	31,711	**67,724**	54,677	**98,689**	86,388
Segment results	**7,993**	3,349	**17,594**	16,253	**25,587**	19,602
Unallocated corporate expenses					**(5,496)**	(3,678)
Finance costs					**(2,981)**	(2,096)
Profit before taxation					**17,110**	13,828
Taxation					**(4,915)**	(3,927)
Profit for the period					**12,195**	9,901

4. **OPERATING SEGMENTS** (Continued)

(b) Assets and liabilities

The segment assets and liabilities of the Group as at 30 June 2010 and 31 December 2009

	Chinese liquor		Wine		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**221,925**	236,462	**402,306**	384,469	**624,231**	620,931
Unallocated					**177,853**	19,690
					802,084	640,621
Segment liabilities	**5,991**	14,774	**67,761**	58,766	**73,752**	73,540
Unallocated					**107,230**	118,230
					180,982	191,770

(c) Geographical information

Over 90% of the Group's turnover and results were derived from the People's Republic of China ("PRC"). Accordingly, no geographical segment analysis is presented for the period.

As at the end of reporting period, over 90% of the Group's identifiable assets and liabilities were located in the PRC. Accordingly, no geographical segment analysis on the carrying amount of segment assets or additions to property, plant and equipment is presented.

5. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration)		
– Basic salaries and allowances	**14,156**	9,969
– Retirement benefit scheme contributions	**27**	31
Amortisation and impairment of intangible assets	**1,850**	315
Amortisation of land use rights	**353**	557
Cost of inventories recognised as expenses	**36,059**	40,510
Depreciation	**4,333**	4,409

6. TAXATION

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
The PRC Enterprise Income Tax	**4,915**	3,927

Hong Kong Profits Tax

No provision for Hong Kong profits tax was made for the six months ended 30 June 2010 (2009: Nil) as the Company and its subsidiaries had no assessable profit derived from Hong Kong during the period.

As at 30 June 2010, the Group had unused tax losses of approximately HK$58 million (31 December 2009: HK$44 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability future profit streams.

6. **TAXATION** (Continued)

The PRC Income Tax

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

Shangri-la (Qinhuangdao) Winery Limited ("Shangri-la (Qinhuangdao)") which is a foreign investment enterprise established in the Coastal Open Economics Region of Qinhuangdao, the PRC, subject to preferential enterprise income tax rate of 24% and is entitled to full exemption from the PRC enterprise income tax for two years starting from its first profit-making year and a 50% reduction for the next consecutive three years under the relevant applicable to foreign investment enterprise in the PRC. Shangri-la (Qinhuangdao) has been reported loss since establishment.

All other subsidiaries are subject to a profits tax rate of 25% (2009: 25%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law") which became effective on 1 January 2008, when the income tax rules and regulations of the PRC applicable to foreign investment enterprises (the "FEIT Law") was abolished. The New Tax Law adopts a uniform tax of 25% to all enterprises including foreign investment enterprises.

Pursuant to the transitional arrangements under the New Tax Law, the above mentioned PRC subsidiaries which is in the Tax Exemption Period will continue to enjoy the tax-exemption or 50% reduction in the applicable income tax rate until the expiry of the Tax Exemption period previously granted under the FEIT Law, and thereafter it will be subject to the unified rate of 25%.

7. **EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of HK$9,607,000 (six months ended 30 June 2009: profit of HK$8,666,000) and on 1,638,111,000 weighted average shares in issue during the period (period from 1 January 2009 to 30 June 2009: 1,668,532,000, restated as adjusted for the effect of open offer completed in January 2010).

Diluted earnings per share for the six months ended 30 June 2010 and 2009 were the same as the basic earnings per share as there were no potential dilutive shares in existence for both periods.

8. TRADE RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2009: 30 to 90 days) to its trade customers which major customers with whom specific terms have agreed.

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Within 30 days	6,902	27,171
More than 30 days and within 60 days	5,808	83
More than 60 days and within 90 days	1,673	–
More than 90 days and within 180 days	50	111
More than 180 days and within 360 days	555	–
	14,988	27,365
Less: provision of doubtful debts	(108)	(111)
	14,880	27,254
Represented by:		
Receivables from related companies	–	7,218
Receivables from third parties	14,880	20,036
	14,880	27,254

The carrying amounts of trade receivables approximate their fair values.

9. SHARE CAPITAL

	Number of shares '000	Par value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2009 and 30 June 2010	16,000,000	160,000
Issued and fully paid:		
At 31 December 2009 and 1 January 2010	1,390,443	13,904
Open offer	278,089	2,781
At 30 June 2010	1,668,532	16,685

10. TRADE PAYABLES

	As at 30 June 2010 (Unaudited) *HK$'000*	As at 31 December 2009 (Audited) *HK$'000*
Within 90 days	**21,013**	25,767
More than 90 days and within 180 days	**6,250**	2,750
More than 180 days and within 360 days	**693**	1,021
	27,956	29,538

The carrying amounts of trade payables approximate their fair values.

11. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed interim financial statements, the Group entered into the following related party transactions:

(a) Transactions

	Six months ended 30 June	
	2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
雲南金六福聯采商貿有限公司		
– Sales of wine	**3,421**	–
華致連鎖管理有限公司		
– Sales of wine	**10,756**	–
Yunnan Shangri-la Jinliufu Wine Sale Company Limited (“雲南香格里拉金六福酒業銷售有限公司”)		
– Sales of wine	**–**	8,181
北京金六福酒有限公司		
– Sales of wine	**–**	1,550

(i) The above transactions were carried out at cost plus mark-up basis.

(ii) 雲南金六福聯采商貿有限公司, 華致連鎖管理有限公司, Yunnan Shangri-la Jinliufu Wine Sale Company Limited and 北京金六福酒有限公司 are related parties of the Group as Mr. Wu Xiang Dong, being an executive director of the Company is a common director of these companies.

11. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

Amounts due to related parties are as follows:

		As at 30 June 2010 (Unaudited) *HK$'000*	As at 31 December 2009 (Audited) *HK$'000*
Trade balances	*(i)*	**15,756**	10,576

(i) This represents receivables in advance for sale of goods.

(c) Key management personnel

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee:

	The Group Six months ended 30 June	
	2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Salaries and other short term benefit	**1,412**	1,535

12. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The Condensed Interim Financial Statements were approved and authorised for issue by the Board on 13 August 2010.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2010 (the "**Period**") (2009: Nil).

PLEDGE OF ASSETS

As at 30 June 2010, Shangri-la Winery Company Limited ("**Shangri-la Winery**") had pledged land and buildings and production facilities in Diqing and Qinhuangdao, the PRC with net book value amounting to approximately HK$67 million (31 December 2009: HK$70 million), to China Agriculture Development Bank – Diqing Branch (中國農業發展銀行迪慶藏族自治州分行) to secure a HK$57 million banking facilities granted to the Group.

FINANCIAL REVIEW

Revenue Analysis

Benefiting from aggressive sales strategy, effective sales network and strong customer base, the Group's turnover for the Period increased by 14.2% year-on-year to approximately HK$98.7 million (2009: HK$86.4 million). The increase in turnover was resulted from the sales growth in Shangri-la Winery's wine. Sales of wine products increased 23.9% to approximately HK$67.7 million (2009: HK$54.7 million). Sales of Chinese liquor products stabilized at HK$31.0 million (2009: HK$31.7 million). The increase in turnover was mainly driven by the launch of new wine and tibetan barley products.

During the Period, the Group has received approximately HK$6.4 million of government subsidiaries (2009: HK$1.0 million), a 6.4 times increase as compared to same period last year.

Cost of Sales

Weather in China was quite unusual during the reporting period with drought and flood occurred in different provinces of the PRC simuteneously. Our Group also suffered from those natural disastrous and part of our grape plantations in Yunnan and Qing Huang Dao were damaged. Consequently around HK$4 million worth of grape seed were written off as a result. However, the increase in cost was offset by an unrealized inventory value in 2009 but recognized in the Period which has the effect of reducing the cost by HK$8.3 million. The net effect was that the Period's cost of sale was reduced by 11% as compared to the same period in 2009 to HK$36.1 million (2009: HK$40.5 million). Uplifting the above factors, the cost of sale for the period remain relatively stable.

There was a general trend in the increase of raw material and labour costs throughout China. We remain cautious in cost management, especially in raw material sourcing, which give us better control over production costs. As our production bases mainly located in the Northern and Western part of China, the pressure on labour cost was not as severe as in the coastal regions.

Selling and Distribution costs

Sales and distribution costs soared almost double to HK$35.5 million (2009: HK$18.1 million) as more resources were diverted to market building and sales channel development within which HK$5.1 million was provided for the second half of the year to prepare for the peak season.

Administration and Finance Costs

Administration expenses remained relatively stable with a moderate increase by 4.2% to HK$13.5 million (2009: HK$12.9 million) demonstrating management's effort in cost control.

Due to the grant of more bank facilities, financial costs were up 42.2% to approximately HK$3.0 million (2009: HK$2.1 million).

Taxation

As the tax concession period for which Shangri-la Winery was entitled to has expired, it will be subject to 25% corporate tax which is the same as YuQuan from this year onward. The total tax expense for the Period had increased by 25.2% to HK$4.9 million (2009: HK$3.9 million).

Profit

Having made considerable effort in promotion and sales network development, the results were encouraging. Profits before taxation grew 23.7% to HK$17.1 million (2009: HK$13.8 million). Profits after taxation also showed similar level of growth to HK$12.2 million (2009: HK$9.9 million). Profits attributable to the owners of the Company increased by 10.9% to HK$9.6 million (2009: HK$8.7 million). After adjustment for non-controlling interest and taking into consideration the dilution effect of the open offer which was completed in January this year, earnings per share increased by 13.5% to HK0.59 cents (2009: HK0.52 cents (restated)).

Balance Sheet Analysis

As compared to the beginning of the year, total assets of the Group increased by 25.2% to HK$802 million (2009: HK$641 million). Total fixed assets remained stable at HK$371 million (2009: HK$374 million) whereas total current asset soared to HK$431 million (2009: HK$267 million), representing an increase of 61.4%. Main reason for the increase was due to the fund raising by the Company under the Open Offer.

Total liabilities decreased slightly by 5.63% to HK$181 million (2009: HK$192 million), of which total non-current liability remain unchanged at HK$42.7 million but current liability reduced by 7.2% to HK$138 million (2009: HK$149 million).

Working capital of the Group was mainly financed by bank borrowings of HK$85.4 million and reserves of approximately HK$542 million.

REVIEW OF OPERATION AND PROSPECTS

Market Condition

China's economy maintains spear growth during the Period after a record credit surge to counter the global crisis. Based on the National Bureau of Statistics, the annualised gross domestic product growth for the first two quarters was at 11.9% and 11.1% respectively.

General consumption was resilient, but our Group still sees the wine industry, especially high quality wine continue to benefit from the policy shift to boost local consumption.

Market Development

While domestic demand had demonstrated a strong trend, consumption in some areas had not fully recovered due to the impact of the financial crisis. Strong competition also made the market more complicated and volatile. Despite the adverse market condition, the Group has success in penetrating into the second- and third-tier PRC cities through stronger marketing campaign and channel management. While still maintaining its market leadership in Yunnan and Fujian markets, the Group aggressively moved to develop new markets in Jiangsu and Zhejiang Provinces. So far substantial funds had been invested in the marketing and promotion activities for brand building as well as securing certain major sales channels and retail networks. The overall response was encouraging and we are confident that favourable results will be reflected in the second half of the year when the peak season arrives.

Sales of Chinese Liquor also progress in a healthy manner with Yuquan brand maintains one of the best sellers in the Northeast provinces namely Heilongjiang, Jilin and Liaoning.

New Product

We endeavour to broaden our product offerings in order to meet expectations from the high end market. Besides the Shangri-la 1900 and 2800 Premium series (香格里拉高原1900及2800系列), being our luxury wine series targeting the high end market, the Group also launched Shangri-la Plateau Cabernet Sauvignon series (香格里拉高原赤霞珠干紅葡萄酒) and Shangri-la Platinum Premium Da Zang Mi Tibetan barley series (大藏密白金青稞干白). These new product offerings, add to the diverse product portfolio of the Group, were well received by the market.

Development of Shangri-la Château

The Group has completed the design phases of a wine Château in Yantai. Open tender has been offered to the public for the development phase. The Chateau will have its own vineyards to produce high quality grapes for its unique Chateau wine series. The Château together with vineyards covering a total area of approximately 1,200 acres of land. These initiatives together with our ongoing business development efforts will contribute to the development of our brand and the recognition as the market leader in the PRC wine industry.

Completion of Open Offer

In order to meet the Group's growth strategy, the Company proposed an open offer ("Open Offer") in November 2009 on the basis of one offer Share for every 5 Shares held which involved an issue of 278,088,691 Shares at a price of HK$0.6 per offer Share. The Open Offer was fully underwritten by our major shareholder, JLF Investment Company Limited ("JLFBVI"), and was successfully completed on 27 January 2010. Total amount of around HK$166 million was raised. After completion of the Open Offer, the total number of issued shares was 1,668,532,146 of which JLFBVI's shareholding has increased to 839,670,169 shares, representing 50.32% of the total issued Shares.

Prospects

We strongly believe that China will continue to lead the world's economic recovery. This momentum will benefit the domestic beverage industry. However, it is apparent that competition is getting more and more intense. Given the complicated and fast changing market in 2010, the Group will continue its focus in products development and timely implement flexible strategies to strengthen our sales channels. We will continue to implement refined marketing strategy to effectively subdivide the market and establish suitable target markets so as to further consolidate our brand image and market share.

Facing the increasing trend in prices of raw materials, we shall maintain proper control over costs, refine the production process and optimize product mix to ease the pressure. Through sales growth and the enhancement of production capacity, the Group will be able to maintain reasonable profits amidst high prices of raw materials.

Riding on the foster of China's domestic market, together with our good reputation and sound financial structure, we remain optimistic about the prospects of the China economy and confident that 2010 will be another year of good harvest.

DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at 30 June 2010, the following Director or the chief executive of the Company had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules:

The Company

Name of Director	Capacity	Number of Shares held	Position	Approximate percentage of the issued share capital
Mr. Wu Xiang Dong	Interested of controlled corporation	839,670,169 *(note)*	Long	50.32%

Note: These Shares are held by JLF Investment Company Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Yunnan Jinliufu Investment Company Limited. Yunnan Jinliufu Investment Company Limited is owned as to 60% by Yunnan Shangri-la Jinliufu Wine Sale Company Limited and 40% by Hunan Jinliufu Winery Company Limited. Yunnan Shangri-la Jinliufu Wine Sale Company Limited is owned as to 80% by Hunan Jinliufu Winery Company Limited and 20% by Yunnan Jinliufu Investment Company Limited. Hunan Jinliufu Winery Company Limited is owned as to 80% by VATS Group Limited (a company owned as to 60% by Mr. Wu Xiang Dong, 25% by Ms. Li Juan, and 15% by Mr. Jiang Jian) and 20% by 湖南新華聯石油貿易有限公司. Mr. Wu Xiang Dong also owns: (i) 20% equity interest in 新華聯控股有限公司 which holds 58% equity interest in 湖南新華聯石油貿易有限公司; and (ii) 15% equity interest in MACRO-LINK Sdn. Bhd.

Save as disclosed above, as at 30 June 2010, none of the Directors nor the chief executive of the Company had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2010, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	*Note*	Capacity	Number of Shares held	Position	Approximate percentage of issued share capital
JLF Investment Company Limited (金六福投資有限公司)	*1*	Beneficial owner	839,670,169	Long	50.32%
Yunnan Jinliufu Investment Company Limited (雲南金六福投資有限公司)	*1*	Interest of controlled corporation	839,670,169	Long	50.32%
Yunnan Shangri-la Jinliufu Wine Sale Company Limited (雲南香格里拉金六福酒業銷售有限公司)	*1*	Interest of controlled corporation	839,670,169	Long	50.32%

Name of Shareholder	*Note*	Capacity	Number of Shares held	Position	Approximate percentage of issued share capital
Hunan Jinliufu Winery Company Limited (湖南金六福酒業有限公司)	*1*	Interest of controlled corporation	839,670,169	Long	50.32%
VATS Group Limited (華澤集團有限公司)	*1*	Interest of controlled corporation	839,670,169	Long	50.32%
Mr. Fu Kwan	*2*	Interest of controlled corporation	215,988,337	Long	12.94%
MACRO-LINK International Investment Company Limited	*2*	Beneficial owner	215,988,337	Long	12.94%
MACRO-LINK Sdn. Bhd.	*2*	Interest of controlled corporation	215,988,337	Long	12.94%

Notes:

1. These Shares are held by JLF Investment Company Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Yunnan Jinliufu Investment Company Limited. Yunnan Jinliufu Investment Company Limited is owned as to 60% by Yunnan Shangri-la Jinliufu Wine Sale Company Limited and 40% by Hunan Jinliufu Winery Company Limited. Yunnan Shangri-la Jinliufu Wine Sale Company Limited is owned as to 80% by Hunan Jinliufu Winery Company Limited and 20% by Yunnan Jinliufu Investment Company Limited. Hunan Jinliufu Winery Company Limited is owned as to 80% by VATS Group Limited (a company owned as to 60% by Mr. Wu Xiang Dong, 25% by Ms. Li Juan and 15% by Mr. Jiang Jian) and 20% by 湖南新華聯石油貿易有限公司.

2. These Shares are held by MACRO-LINK International Investment Company Limited ("MACRO-LINK") which is wholly-owned by MACRO-LINK Sdn. Bhd.. MACRO-LINK Sdn. Bhd. is owned as to 40% by Mr. Fu Kwan, as to 15% by Mr. Wu Xiang Dong and as to 45% by five other individual shareholders.

Save as disclosed above, as at 30 June 2010, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 16 September 2002, the Company adopted a share option scheme (the "**2002 Scheme**") for the primary purpose of providing incentives to its Directors and eligible employees. The 2002 Scheme will expire on 15 September 2012. Under the 2002 Scheme, the Board is entitled to grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for Shares.

The total number of Shares which may be issued upon exercise of all options to be granted under the 2002 Scheme must not exceed 10% of the Shares in issue as at the date of adoption of the 2002 Scheme. The number of Shares in respect of which options may be granted to any individual must not exceed 1% of the number of Shares issued and issuable under the 2002 Scheme or any other limit as may be permitted under the Listing Rules. Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board may at their discretion determine the specific exercise period. The exercise price is determined by the Board, and will be not less than the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Shares.

No option has been granted under the 2002 Scheme since its adoption.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 June 2010, the Group's total borrowings amounted to approximately HK$85.4 million and cash and bank balances amounted to approximately HK$211 million. The Group's current ratio was 3.12 and gearing ratio which is expressed as a ratio of total borrowings to total equity was 0.29. Taking into account of the existing financial resources, the Group has adequate financial resources to meet its ongoing operating and development requirements.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

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

EMPLOYEE INFORMATION

Total number of staff members was 838 as at 30 June 2010 of which 56 were management and 67 were back office staffs, 322 factory workers and 393 sales and marketing personnels. The Directors believe that the quality of its employees is the most important factor in sustaining the Group's growth and improving its cost effectiveness. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group also provides medical insurance, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

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

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

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee met twice to date in 2010 (with a 100% attendance rate) to review with senior management and the Company's internal and external auditors, the Group's significant internal controls and financial matters as set out in the Committee's written terms of reference. The Audit Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, listing rules and statutory compliance, internal controls, risk management and financial reporting matters.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial report for the six months ended 30 June 2010. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. E Meng and Mr. Cao Kuangyu.

APPRECIATION

I would like to express my gratitude to every member of staff for their continuous effort that contributed to the steady growth of the Group. I would also like to thank shareholders for their enduring support and recognition of the development strategies and future goals of the Group.

To thank for the trust our shareholders on us, we will continue to strive to create lucrative returns for our shareholders

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

Hong Kong, 13 August 2010