金六福投資有限公司*

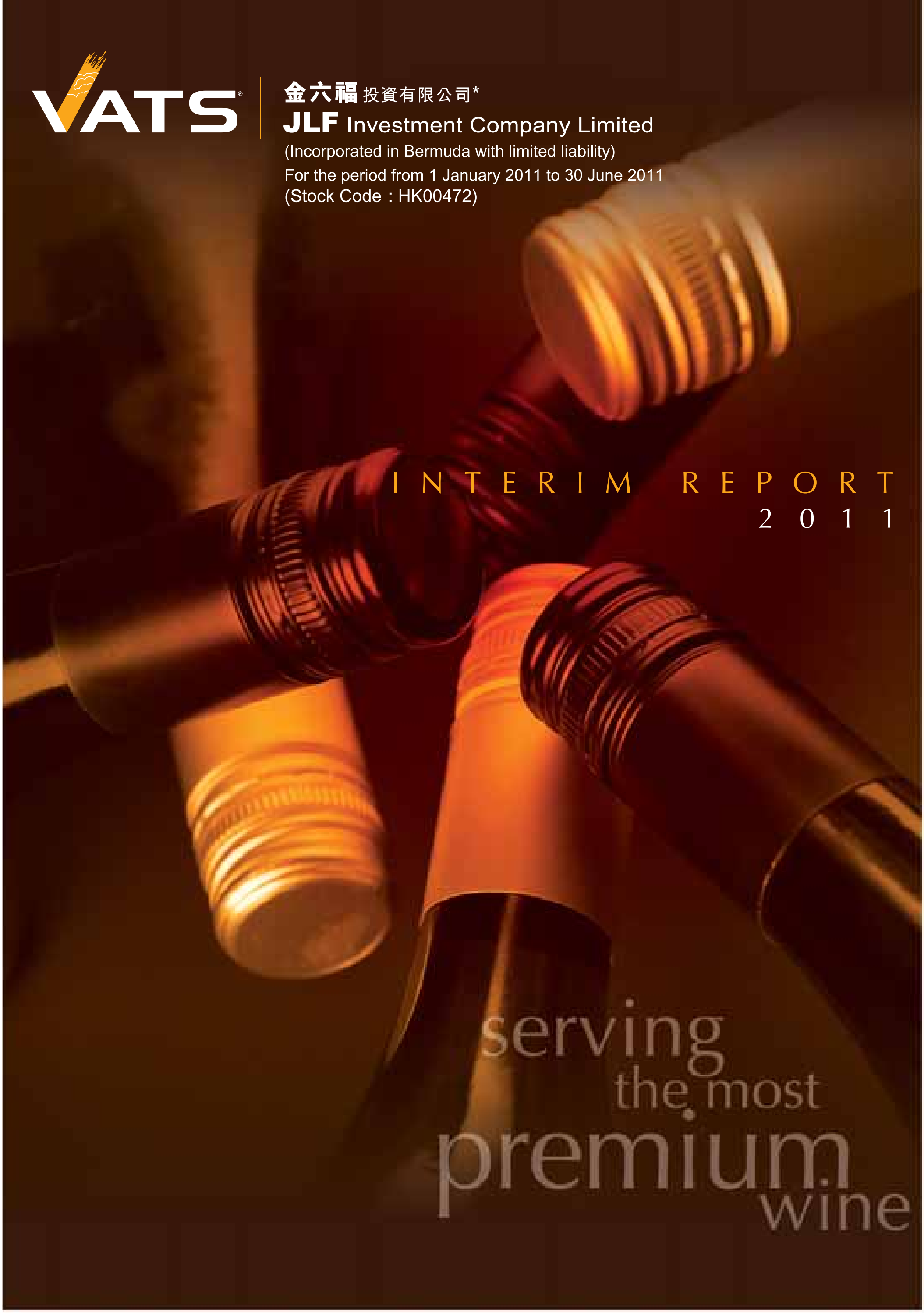
JLF Investment Company Limited

(Incorporated in Bermuda with limited liability)

For the period from 1 January 2011 to 30 June 2011

(Stock Code：HK00472)

INTERIM REPORT 2011



* 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 2011, together with the comparative results for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**111,806**	98,689
Cost of sales		**(44,906)**	(36,059)
Gross profit		**66,900**	62,630
Other revenue		**1,476**	6,402
Selling and distribution costs		**(28,562)**	(35,475)
Administrative expenses		**(19,777)**	(13,466)
Profit from operations	*5*	**20,037**	20,091
Finance costs		**(1,150)**	(2,981)
Profit before taxation		**18,887**	17,110
Taxation	*6*	**(5,938)**	(4,915)
Profit for the period		**12,949**	12,195

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the Company		**10,703**	9,607
Non-controlling interests		**2,246**	2,588
		12,949	12,195
Earnings per share for profit attributable to the owners of the Company during the period (expressed in HK cents)			
Basic and diluted	7	**HK 0.64 cents**	HK0.59 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**12,949**	12,195
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**9,927**	367
Total comprehensive income for the period	**22,876**	12,562
Attributable to:		
Owners of the Company	**19,902**	9,974
Non-controlling interests	**2,974**	2,588
	22,876	12,562

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

	Notes	As at 30 June 2011 (Unaudited) HK$'000	As at 31 December 2010 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights	8	**29,340**	28,824
Property, plant and equipment		**189,877**	171,458
Intangible assets		**35,583**	35,031
Goodwill		**177,959**	177,959
		432,759	413,272
Current assets			
Inventories		**194,893**	158,526
Trade and bills receivables	9	**7,542**	27,758
Prepayment, deposit and other receivables		**53,319**	27,577
Bank balances and cash		**187,921**	263,426
		443,675	477,287
Total assets		**876,434**	890,559

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2011 (Unaudited) HK$'000	As at 31 December 2010 (Audited) HK$'000
EQUITY			
Capital and reserve attributable to the owners of the Company			
Share capital	*10*	**16,685**	16,685
Reserves		**584,178**	564,276
Proposed final dividend		**–**	16,685
		600,863	597,646
Non-controlling interests		**72,301**	69,327
Total equity		**673,164**	666,973
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year		**39,682**	38,824
Deferred tax liabilities		**21,162**	20,689
		60,844	59,513
Current liabilities			
Trade payables	*11*	**33,744**	30,172
Accruals, deposit received and other payables		**50,264**	57,877
Amounts due to related parties		**8,596**	22,305
Bank borrowings – due within one year		**44,491**	43,529
Tax payables		**2,852**	10,190
Dividend payable		**2,479**	–
		142,426	164,073

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2011 (Unaudited)** ***HK$'000***	As at 31 December 2010 (Audited) *HK$'000*
Total liabilities		**203,270**	223,586
Total equity and liabilities		**876,434**	890,559
Net current assets		**301,249**	313,214
Total assets less current liabilities		**734,008**	726,486

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	Other reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
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
At 1 January 2011 (audited)	16,685	409,918	35,794	21,941	356	96,267	16,685	597,646	69,327	666,973
Final dividend paid	–	–	–	–	–	–	(16,685)	(16,685)	–	(16,685)
Total comprehensive income for the period	–	–	9,199	–	–	10,703	–	19,902	2,974	22,876
At 30 June 2011 (unaudited)	16,685	409,918	44,993	21,941	356	106,970	–	600,863	72,301	673,164

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(48,613)**	(24,704)
Net cash used in investing activities	**(36,819)**	(3,765)
Net cash generated from financing activities	**–**	148,530
Net (decrease)/increase in cash and cash equivalents	**(85,432)**	120,061
Cash and cash equivalents at beginning of period	**263,426**	90,528
Effect of foreign exchange rate changes	**9,927**	367
Cash and cash equivalents at end of period	**187,921**	210,956
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**187,921**	210,956

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2011 (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 registered address 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 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 of Hong Kong Limited, the Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting 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 2010.

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 consistently with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

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 issued by the HKICPA, which are effective for the Group's accounting periods beginning on 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRSs 1 (Amendments)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Production and distribution of wine	**70,338**	67,724
Production and distribution of Chinese liquor	**41,468**	30,965
	111,806	98,689

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 of the operations 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 2010.

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 as follow:

(a) Segment revenue and results

The following is an analysis of the segment revenue and results of the Group for the six months ended 30 June 2011 and 2010:

	Chinese liquor		Wine		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**41,468**	30,965	**70,338**	67,724	**111,806**	98,689
Segment results	**5,955**	7,993	**21,633**	17,594	**27,588**	25,587
Unallocated corporate expenses					**(7,551)**	(5,496)
Finance costs					**(1,150)**	(2,981)
Profit before taxation					**18,887**	17,110
Taxation					**(5,938)**	(4,915)
Profit for the period					**12,949**	12,195

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. OPERATING SEGMENTS (Continued)

(b) Assets and liabilities

The following is an analysis of the segment assets and liabilities of the Group as at 30 June 2011 and 31 December 2010:

	Chinese liquor		Wine		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**254,840**	270,288	**582,865**	562,033	**837,705**	832,321
Unallocated					**38,729**	58,238
					876,434	890,559
Segment liabilities	**15,659**	33,022	**79,796**	85,072	**95,455**	118,094
Unallocated					**107,815**	105,492
					203,270	223,586

For the purposes of monitoring segment performances and allocating resources among segments: all assets are allocated to reportable segments except for certain financial assets which are managed on a group basis. 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.

(c) Geographical information

Over 90% of the Group's turnover and results were derived from the 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:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration)		
– Basic salaries and allowances	**21,942**	14,156
– Retirement benefit scheme contributions	**525**	27
Amortisation and impairment of intangible assets	**487**	1,850
Amortisation of land use rights	**389**	353
Cost of inventories recognised as expenses	**44,906**	36,059
Depreciation	**4,867**	4,333

6. TAXATION

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
The PRC Enterprise Income Tax	**5,938**	4,915

Hong Kong Profits Tax

No provision for Hong Kong profits tax was made for the six months ended 30 June 2011 (2010: Nil) as the Company and its subsidiaries had no assessable profit derived from Hong Kong during the period.

As at 30 June 2011, the Group had unused tax losses of approximately HK$56 million (31 December 2010: HK$48 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 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 was expired 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, is 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 profit for the second year since its establishment.

All other subsidiaries are subject to a profit tax rate of 25% (2010: 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$10,703,000 (six months ended 30 June 2010: profit of HK$9,607,000) and 1,668,532,146 shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2011 and 2010 were the same as the basic earnings per share as there were no potential dilutive shares in existence for both periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with a cost of approximately HK$23,286,000 (six months ended 30 June 2010: HK$4,314,000). No items of property, plant and equipment were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: HK$ Nil).

9. TRADE RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2010: 30 to 90 days) to its trade customers which major customers with whom specific terms have agreed.

	As at 30 June 2011 (Unaudited) ***HK$'000***	As at 31 December 2010 (Audited) *HK$'000*
Within 30 days	**1,606**	23,357
More than 30 days and within 60 days	**2,491**	–
More than 60 days and within 90 days	**2,649**	4,180
More than 90 days and within 180 days	**796**	221
More than 180 days and within 360 days	**162**	115
	7,704	27,873
Less: provision of doubtful debts	**(162)**	(115)
	7,542	27,758

The carrying amounts of trade receivables approximate their fair values.

10. SHARE CAPITAL

	Number of shares *'000*	**Par value** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2010 and 30 June 2011	16,000,000	160,000
Issued and fully paid:		
At 31 December 2010 and 30 June 2011	1,668,532	16,685

11. TRADE PAYABLES

	As at 30 June 2011 (Unaudited) ***HK$'000***	As at 31 December 2010 (Audited) *HK$'000*
Within 90 days	**27,776**	28,000
More than 90 days and within 180 days	**2,263**	291
More than 180 days and within 360 days	**3,705**	1,881
	33,744	30,172

The carrying amounts of trade payables approximate their fair values.

12. 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

	For the six months ended 30 June	
	2011 (Unaudited) ***HK$'000***	2010 (Unaudited) *HK$'000*
Yunnan Jinliufu Trading Company Limited (“Jinliufu Trading”)		
– Sales of wine	**–**	3,421
VATs Chain Liquor Store Management Company Limited (“VATs Chain Liquor Store”)		
– Sales of wine	**12,645**	10,756

Notes:

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

(ii) Jinliufu Trading and VATs Chain Liquor Store 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.

12. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

Amounts due to related parties are as follows:

	As at 30 June 2011 (Unaudited) ***HK$'000***	As at 31 December 2010 (Audited) *HK$'000*
Non-trade balances	**8,596**	22,305

(c) Key management personnel

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

	For the six months ended 30 June	
	2011 (Unaudited) ***HK$'000***	2010 (Unaudited) *HK$'000*
Salaries and other short term benefit	**2,616**	1,412

13. CAPITAL COMMITMENT

	As at 30 June 2011 (Unaudited) ***HK$'000***	As at 31 December 2010 (Audited) *HK$'000*
Authorised and contract for:		
In connection with acquisition of plant and equipment	**44,493**	14,743

14. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved and authorised for issue by the Board on 8 August 2011.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2011 (the "**Period**") (2010: Nil).

PLEDGE OF ASSETS

As at 30 June 2011, 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$79 million (31 December 2010: HK$51 million), to Agricultural Development Bank of China – Diqing Branch (中國農業發展銀行迪慶藏族自治州分行) to secure a HK$60 million banking facilities granted to the Group.

FINANCIAL REVIEW

Revenue Analysis

Benefited from the launch of new products and effective sales strategy, the Group's turnover for the Period increased 13% to approximately HK$112 million (2010: HK$98.7 million). The increase in turnover was mainly due to the favourite sales growth on new products launched during the Period. Sales of wine products increased 3.9% to approximately HK$70.3 million (2010: HK$67.7 million). Sales of Chinese liquor products increased 33.9% to HK$41.5 million (2010: HK$31.0 million).

During the Period, the Group's government grant received reduced 76.9% to approximately HK$1.5 million (2010: HK$6.4 million). This was due to the fact that government grant received was one off in nature. Nevertheless the Group will continue to look for reasonable renewals and new application in the second half of the year.

Gross Profit Analysis

As a result of the increase in turnover, gross profit for the Period increased 6.8% to approximately HK$66.9 million (2010: HK$62.6 million). Though it might seem that there was a minor reduction in gross profit rate by 3% to 60%. (2010: 63%), the higher gross profit rate last period was mainly due to an adjustment made to write back inventory sold but not delivered in 2009. Taking out the effect of 2010's adjustment, the gross profit rate remains quite stable.

Selling and Distribution Costs

Follow the Group's sound marketing strategy in establishing branding awareness and revolutionary product packaging, sales and distribution costs for the Period reduced by 19.5% to approximately HK$28.6 million (2010: HK$35.5 million).

Administration and Finance Costs

As a result of the relocation of the Shangri-la Winery bottling facilities from Kuming to Diqing and the expansion of sales and marketing team in YuQuan, the administration expenses increased 46.9% to approximately HK$19.8 million (2010: HK$13.5 million). However, we believe administration expenses will substantially reduce after the relocation has been completed.

Due to the reduction in banking facilities, financial costs reduced by 61.4% to approximately HK$1.2 million (2010: HK$3.0 million).

Taxation

As the tax concession for Shangri-la Winery has expired, it is now subject to 25% corporate income tax, the same as YuQuan. Total tax expenses for the Period therefore increased by 20.8% to HK$5.9 million (2010: HK$4.9 million).

Profit

Profit before taxation grew 10% to approximately HK$18.9 million (2010: HK$17.1 million). Taking into account the increase in profit tax, the Group's profit after taxation increased 6% to approximately HK$12.9 million (2010: HK$12.2 million).

Profit Attributable to Owners of the Company

Profit attributable to the owners of the Company increased by 11.4% to approximately HK$10.7 million (2010: HK$9.6 million). Earnings per share increased by 8.5% to HK0.64 cents (2010: HK0.59 cents).

Balance Sheet Analysis

After the payment of final dividend for 2010, total assets of the Group marginally reduced 1.6% to approximately HK$876 million (2010: HK$891 million). Total fixed assets increased 4.7% to HK$433 million (2010: HK$413 million) whereas total current asset reduced by 7% to approximately HK$444 million (2010: HK$477 million).

Total liabilities decreased 9.1% to approximately HK$203 million (2010: HK$224 million), of which total non-current liabilities increased 2.2% to approximately HK$61 million (2010: HK$60 million) but current liabilities reduced by 13.2% to approximately HK$142 million (2010: HK$164 million).

Working capital of the Group was mainly financed by cash generated from operation and bank borrowings.

REVIEW OF OPERATION AND PROSPECTS

Business Review

During the Period, the PRC economy continued its fast growth yet the industry has been facing challenges in national policy, tougher competition, inflationary pressure, escalating labour and raw material costs, etc. We nevertheless achieved growth in both turnover and profits. To sustain growth, we maintained our dedication to providing more varieties and better value products to our channels and customers and through executing flexible sales and operational management strategies to explore new markets.

Brand equity, product innovation and uplifting are areas that we always focus on to create brand differentiation in order to bolstering brand value. We continue to employ creative strategies and advertising campaigns to capture the public's interest. Following the series of new products launched in 2010, the turnover the Group has increased by 13% to approximately HK$112 million and gross profits increased 6.8% to approximately HK$66.9 million. Our gross profit rate reduced marginally but still remained high at 60%. Profit attributable to the owners of the Company increased 11% to approximately HK$10.7 million leading to an increase in earnings per share by 8% to HK0.64 cents.

Plant Relocation

The relocation of the Yunnan Kunming bottling and logistic facilities is in progress as planned. In order to host the relocated plants, we are expanding our Yunnan Diqing factory site. The development and relocation is scheduled to be completed in November this year. Some production process will be affected during the relocation. However, to minimise the effect, we have stocked up additional production in the first quarter to ensure a stable supply to the market during the transition period. The costs of the new development of the Diqing factory site and the relocation of plants and facilities to Diqing and Qinhuangdao site are estimated to be around RMB 25 million. We believe the cost saving on the relocation will outweigh the investment costs.

Shangri-la Masang Château

As disclosed in the Company's 2010 annual report, in April 2011, we have further invested RMB40 million to enlarge the paid up capital of Masang Château to RMB50 million. This additional investment will support future development of the Masang Château into a landmark that combines production and tourism. We believe this Château will reinforce our market leadership and will raise and reinforce the brand and product image of Shangri-la Winery.

Prospects

Looking forward, economic condition in Hong Kong seems to be improving. Yet the risk of further volatility in the global economy still remains. Economic conditions in the developed countries like the USA, Europe and Japan are very shaky. After two rounds of massive simulative monetary policies, the US economy is not seeing any concrete sign of recovery. On the other hand, the massive liquidity so generated by the two rounds of quantitative easing has caused the world's inflation to submerge which in turn, would have a negative impact on the US economy. The everlasting Europe's sovereign-debt issues and the disastrous earthquakes and the associated radiation leakage that hit Japan early this year continue to depress the two strong nations' economy. Even China, being the driving force behind the world's economy for the pass few years, has to apply contractionary policies to counteract its domestic inflation.

The global environment of the remaining year is not necessarily gloomy. We would expect higher inflation down the road. We will feel the full impact of increased commodity prices, and our pricing and promotional strategies will be tested by competitors. Nevertheless, the new enhanced grape wine production base established in Diqing will come on stream later in the year, together with the new production line already established in Heilongjian YuQuan, will enhance our competitive edge for growth. With our solid foundation, we will leverage the additional capacity from the plant expansions to sustain our profitability through cost management. We will focus on driving our premium brand equity and innovation capabilities to enhance our market leadership. We are confident that our effort will be duly rewarded.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group's total borrowings amounted to approximately HK$84.2 million and cash and bank balances amounted to approximately HK$188 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 0.13. Taking into account of the existing banking facilities, the Group has adequate financial resources to meet its ongoing operating and development requirements.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (2010: Nil).

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 1,177 as at 30 June 2011 of which 42 were management and 175 were back office staff, 423 were factory workers and 537 were sales and marketing personnel. 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.

DISCLOSURE OF INTERESTS

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

As at 30 June 2011, the following Directors or the chief executive of the Company had or were 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 contained in the Listing Rules (the "**Model Code**"):

(i) The Company

Name of Director	Capacity	No. of shares held	Position	Approximate percentage of issued share capital
Mr. Wu Xiang Dong *(Note)*	Interest of controlled corporation	839,670,169	Long	50.32%
Mr. Ng Kwong Chue Paul	Beneficial owner	2,900,000	Long	0.17%

Note: These shares included 839,670,169 shares hold by JLF Investment Company Limited ("JLFBVI"). JLFBVI is 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 80% by VATS Group Limited (a company owned as to 90% by Mr. Wu Xiang Dong and 10% by Mr. Yan Tao) and 20% by Macro-Link Holding Limited (新華聯控股有限公司). Mr. Wu Xiang Dong also owns: (i) 20% equity interest in Macro-Link Holding Limited (新華聯控股有限公司); and (ii) 15% equity interest in MACRO-LINK Sdn. Bhd. which, through Macro-Link International Investment Company Limited, held 215,988,337 shares (or 12.94% of the issued share capital of the Company as at 30 June 2011).

(ii) Associated Corporation:

Name of associated corporation	Name of Director	Capacity	Position	Number of shares in the associated corporation	Approximate percentage of shares in the associated corporation
VATS Group Limited ("華澤集團有限公司")	Mr. Wu Xiang Dong	Beneficial owner	Long	RMB45,000,000	90%
VATS Group Limited ("華澤集團有限公司")	Mr. Yan Tao	Beneficial owner	Long	RMB5,000,000	10%

Save as disclosed above, as at 30 June 2011, none of the Directors nor the chief executive of the Company had or was 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 2011, 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	*Notes*	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%
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. JLF Investment Company Limited is 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 80% by VATS Group Limited (a company owned as to 90% by Mr. Wu Xiang Dong and 10% by Mr. Yan Tao) and 20% by Macro-Link Holding Limited (新華聯控股有限公司).

2. MACRO-LINK International Investment Company Limited is wholly-owned by MACRO-LINK Sdn. Bhd. which in turn 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 2011, 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.

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 during 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 2011 (with a 100% attendance rate) to review with senior management and the Company's internal and external auditors, the Group's internal controls and financial matters as set out in the Audit 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 Period. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. E Meng and Mr. Cao Kuangyu.

APPRECIATION

Despite the challenges ahead, we have achieved good business results and made significant progress in strengthening our position for future growth. The Board would like to take this opportunity to thank our shareholders, customers and business partners for their unwavering trust and support. The Board would also like to take this opportunity to welcome Mr. Shu Shi Ping who resumed his role on 1 July 2011 as our managing Director and to thank our colleagues for their commitment and hard work on which our continuing success depends.

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

Hong Kong, 8 August 2011