



Loulan Holdings Limited

樓蘭控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8039)

2006 HALF-YEAR RESULTS REPORT



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CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Loulan Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HALF-YEAR RESULTS (UNAUDITED)

The Board of Directors (the "Board") of Loulan Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2006, together with the unaudited comparative figures for the corresponding periods in 2005, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended		Six months ended	
		30 June		30 June	
		2006	2005	2006	2005
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes		RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	2	1,152	1,697	4,227	4,468
Cost of sales		(1,380)	(1,164)	(4,604)	(3,360)
Gross profit/(loss)		(228)	533	(377)	1,108
Other revenue and gains	2	26	398	70	2,260
Selling and distribution costs		(47)	(798)	(222)	(1,376)
Administrative expenses		(1,122)	(3,353)	(3,300)	(7,142)
Other operating expenses		(12)	-	(12)	(124)
LOSS FROM OPERATING ACTIVITIES		(1,383)	(3,220)	(3,841)	(5,274)
Finance costs		(450)	(837)	(954)	(1,644)
LOSS BEFORE TAX	4	(1,833)	(4,057)	(4,795)	(6,918)
Tax	5	-	-	-	(74)
LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		(1,833)	(4,057)	(4,795)	(6,992)
LOSS PER SHARE		RMB	RMB	RMB	RMB
- Basic	7	(0.005)	(0.010)	(0.012)	(0.017)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2006 RMB'000 (Unaudited)	As at 31 December 2005 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	29,643	31,024
Intangible assets		3,156	3,309
		<u>32,799</u>	<u>34,333</u>
CURRENT ASSETS			
Inventories		10,869	13,530
Trade receivables	9	2,680	2,763
Sundry debtors and receivables		37,099	37,090
Financial assets		720	720
Cash and bank balances		975	1,468
		<u>52,343</u>	<u>55,571</u>
DEDUCT: CURRENT LIABILITIES			
Trade payables	10	10,711	11,189
Sundry creditors and payables		50,799	50,216
Current portion of interest bearing borrowings		44,547	44,510
Current taxation liabilities		904	998
		<u>106,961</u>	<u>106,913</u>
NET CURRENT LIABILITIES		<u>(54,618)</u>	<u>(51,342)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(21,819)	(17,009)
NON-CURRENT LIABILITY			
Deferred taxation liabilities		(795)	(795)
		<u>(22,614)</u>	<u>(17,804)</u>
Financed by:			
CAPITAL AND RESERVES			
Share capital		4,240	4,240
Reserves		(26,854)	(22,044)
		<u>(22,614)</u>	<u>(17,804)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Statutory reserve fund RMB'000	Accumulated losses RMB'000	Revaluation reserve RMB'000	Exchange translation reserve RMB'000	Total RMB'000
At 1 January 2006	4,240	35,739	29,703	1,886	(89,466)	120	(26)	(17,804)
Net loss for the year	-	-	-	-	(4,795)	-	-	(4,795)
Currency translation differences	-	-	-	-	-	-	(15)	(15)
At 30 June 2006	4,240	35,739	29,703	1,886	(94,261)	120	(41)	(22,614)
At 1 January 2005	4,240	35,739	29,703	1,884	(80,278)	120	-	(8,592)
Net loss for the year	-	-	-	-	(6,992)	-	-	(6,992)
At 30 June 2005	4,240	35,739	29,703	1,884	(87,270)	120	-	(15,584)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	424	(2,233)
Net cash used in investing activities	-	11,715
Net cash outflow from financing activities	(917)	(9,756)
DECREASE IN CASH AND CASH EQUIVALENTS	(493)	(274)
Cash and cash equivalents at beginning of period	1,468	1,222
CASH AND CASH EQUIVALENTS AT END OF PERIOD	975	948
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	975	948

Notes:

1. Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The accounting policies adopted in preparing these unaudited consolidated results are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2005.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

2. Turnover

The Group is principally engaged in the production, sales and distribution of alcoholic drinks. Turnover represents the net invoiced value of goods sold, after allowances for goods returns, trade discounts, consumption tax and VAT.

3. Segment information

For management purposes, the Group is currently organizing turnover by operating division: (i) selling of self-manufacturing wines; and (ii) distribution of wine products. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group’s turnover and results for the six months ended 30 June 2006 with the corresponding period in 2005 by business segment is presented below:

	Selling of self-manufacturing wines		Distribution of wine products		Total	
	2006	2005	2006	2005	2006	2005
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Turnover	4,044	4,192	183	276	4,227	4,468
Results						
Segment results	(3,051)	(3,405)	(307)	(575)	(3,841)	(5,274)
Finance costs					(954)	(1,644)
Loss before taxation					(4,795)	(6,918)
Taxation					-	(74)
Loss for the period					(4,795)	(6,992)

The Group’s turnover was 100% (2005: 100%) derived from the People’s Republic of China (the “PRC”).

4. Loss before taxation

The Group's loss before taxation is stated after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories sold	1,380	1,164	4,604	3,360
Depreciation of owned assets	690	1,016	1,381	1,548
Amortisation on intangible assets	77	(10)	153	154
Operating leases:				
Hire of agricultural land	64	151	127	302
Staff costs (including directors' remuneration):				
Salaries and wages	265	1,172	530	2,130
Provident fund expenses	110	390	221	487
	<u>375</u>	<u>1,562</u>	<u>751</u>	<u>2,617</u>

5. Tax

	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax - overseas				
Tax for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>

No provision for profits tax in the Cayman Islands or Hong Kong has been made as the Group had no income assessable for profits tax for the three months and the six months respectively ended 30 June 2006 as well as the corresponding periods of last year in these jurisdictions.

Taxes on profits assessable elsewhere in the PRC have been calculated based on the existing legislation, interpretations and practices at the prevailing rates of tax.

6. Dividend

The Board does not recommend the payment of a dividend for the six months ended 30 June 2006 (2005: Nil).

7. Loss per share

The calculation of the Group's basic loss per share for the three months ended 30 June 2006 was based on the unaudited net loss attributable to shareholders of approximately RMB1,833,000 (2005: RMB4,057,000) and the weighted average of 400,000,000 (2005: 400,000,000) shares deemed to have been in issue during the period.

The calculation of the Group's basic loss per share for the six months ended 30 June 2006 is based on the unaudited loss attributable to shareholders of RMB4,795,000 (2005: RMB6,992,000) and the weighted average of 400,000,000 (2005: 400,000,000) shares in issue during the period.

Diluted loss per share amounts for the three months and six months respectively ended 30 June 2006 and 2005 have not been disclosed as there were no dilutive potential shares during the periods.

8. Property, plant and machinery

The Group had no acquisition of plant and machinery and office equipment during the six months ended 30 June 2006 (31 December 2005: nil).

The Group had certain of its fixed assets with a total carrying value of RMB21,188,000 (31 December 2005: RMB22,103,000) secured for banking facilities granted to the Group.

9. Trade receivables

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Trade receivables	16,415	16,498
Less: Provision for doubtful debts	<u>(13,735)</u>	<u>(13,735)</u>
	<u>2,680</u>	<u>2,763</u>

The Group generally allows average credit periods ranging from 30 to 180 days to its customers.

An aged analysis of the trade receivables is not available as sufficient information could not be obtained.

10. Trade payables

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Trade payables	<u>10,711</u>	<u>11,189</u>

An aged analysis of the trade payables is not available as sufficient information could not be obtained.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2006, the Group recorded a turnover of approximately RMB4,227,000 (2005: RMB4,468,000) and gross loss margin of approximately 9% (2005: gross profit margin of 25%). The Group's sales and distribution expenses and administrative expenses were RMB222,000 (2005: RMB1,376,000) and RMB3,300,000 (2005: RMB7,142,000) respectively. Turnover decreased as a result of business cessation of the Company's subsidiary, 上海龍浩通糧油酒食品物流有限公司 during the period.

The loss attributable to shareholders for the six months ended 30 June 2006 was approximately RMB4,795,000 (2005: RMB6,992,000).

OUTLOOK

As at the date of this announcement, the Group's business in wine distribution and production have terminated. However, the new management has been working hard to seek cooperation with potential business partners for the continuous operation of the Group's wine distribution and trading business.

FINANCIAL RESOURCES, LIQUIDITY, TREASURY POLICIES AND CHARGES ON GROUP ASSETS

As at 30 June 2006, the Group had outstanding bank loans and other loans in aggregate amount of approximately RMB39,937,000 (31 December 2005: RMB39,900,000) and approximately RMB4,610,000 (31 December 2005: RMB4,610,000) respectively. The Group's bank loans bear interest at fixed rates at a range from 5.1% to 5.8% per annum. The bank loans are secured by a fixed charge of a building of Shanghai Shen Hong and floating charges over the assets of 新疆樓蘭酒業有限公司 ("Xinjiang Loulan") including all the buildings, plant and machinery, motor vehicles, furniture, fixtures and equipment, inventories and the right to use the trademarks with an aggregate carrying amount of approximately RMB27,224,000 (2005: RMB30,801,000).

As at 30 June 2006, the Group's total cash and bank balances was approximately RMB975,000 (31 December 2005: RMB1,468,000). The Group had net current liabilities of approximately RMB54,618,000 (31 December 2005: RMB51,342,000). The Group was in lack of financial resource and reorganization would be required to meet with future operation, development and investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Company did not have any plan for material investments and acquisition of material capital assets during the period ended 30 June 2006.

GEARING RATIO

The Group's gearing ratio as at 30 June 2006 calculated as a percentage of total liabilities over total assets is 226% (31 December 2005: 120%). The Group generally finances its operations with equity funding, bank and other borrowings.

FOREIGN EXCHANGE EXPOSURE

The Group mainly generates revenue and incurs costs in Renminbi. The Directors consider that the impact of foreign exchange exposure of the Group is minimal.

EMPLOYEE INFORMATION

At 30 June 2006, the Group employed approximately 116 employees (2005: 231). They were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees include medical insurance and pension fund. Staff cost was approximately RMB751,000 during the six months ended 30 June 2006 (2005: RMB2,617,000).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2006, the interests and short positions of the directors and chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the Company's shares:

Name of Director	Personal interests (number of shares)	Family interests (number of shares)	Corporate interests (number of shares)	Others interests (number of shares)	Total number of shares	%
Woo Hang Lung	163,125,000	–	–	–	163,125,000	40.78
Junichi Goto	6,000,000	–	–	–	6,000,000	1.5

Note: Mr. Woo Hang Lung has pledged 163,125,000 shares to TKR Finance Limited ("TKR"). TKR is a subsidiary of REXCAPITAL Financial Holdings Limited.

Save as disclosed above, as at 30 June 2006, none of the directors or chief executive had registered an interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2006, the following Director is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined in GEM Listing Rules, as set out below.

Mr. Woo Hang Lung owns controlling interest or investment interest in Golden Sun Winery (Turpan) Limited ("Gao Chang"). Gao Chang is principally engaged in the processing and bottling of non-premium grape wine and the sale and distribution of such grape wine products in the PRC. Currently, Gao Chang has several grape wine products for sale in the PRC market, some of which are sold under the brand name of "Gao Chang". Gao Chang's products are principally of low price range and are primarily targeted at the low-end markets, particularly the rural cities in the northwestern provinces of the PRC. Gao Chang's products have not participated in any wine competition so far.

Each of Mr. Woo Hang Lung and Gao Chang has given an undertaking in favour of the Group pursuant to which he/it has undertaken not to carry on or be engaged, concerned or interested, whether directly or indirectly, whether as a partner, agent or other wise (other than as a shareholder and director in the case of Mr. Woo Hang Lung) in the business of the Group as more particularly set out in the Company's prospectus (the "Prospectus"). Details of the undertaking are set out in the sub-section headed "Non-competition undertaking" in the section headed "Business" to the Prospectus.

Save as disclosed above, none of the directors of the Company had an interest in business, which compete or may compete with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme as disclosed in the section headed "Share Option Scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Company's shares:

<i>Name</i>	<i>Number of shares held</i>	<i>%</i>
Woo Hang Lung (Note 5)	163,125,000	40.78
New Dragon (No. 7) Investments Limited (Notes 1 and 2)	41,250,000	10.30
Global Funds Trust Company (Note 2)	41,250,000	10.30
China Enterprise Investment Fund (Notes 1 and 2)	41,250,000	10.30
New Dragon Investments Limited (Note 3)	41,250,000	10.30
Nomura China Venture Investment Fund Limited (Notes 3 and 4)	41,250,000	10.30
Nomura Holdings, Inc. (Note 4)	41,250,000	10.30
JAFCO Co., Ltd. (Note 4)	41,250,000	10.30
Chen Guoping	22,500,000	5.63

Notes:

- (1) So far as the Directors are aware, New Dragon (No. 7) Investments Limited is beneficially owned and controlled as to 100% by China Enterprise Investment Fund.
- (2) So far as the Directors are aware, the 100% ownership in New Dragon (No. 7) Investments Limited as being beneficially held and control by China Enterprise Investment Fund is being held through Global Funds Trust Company, a company incorporated in the Cayman Islands as a trustee.
- (3) So far as the Directors are aware, New Dragon Investments Limited is held as to 100% by Nomura China Venture Investment Fund Limited.
- (4) So far as the Directors are aware, Nomura China Venture Investment Fund Limited is beneficially owned as to 60% by Nomura Holdings, Inc. and as to 40% by JAFCO Co., Ltd.
- (5) Mr. Woo Hang Lung has pledged 163,125,000 shares to TKR Finance Limited ("TKR"). TKR is a subsidiary of REXCAPITAL Financial Holdings Limited.

Save as disclosed above, as at 30 June 2006, no person, other than the Directors whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme for the benefit of the Directors, employees, suppliers, customers, advisors and shareholders of the Group and other persons who have contributed or may contribute to the success of the Group.

As at the date of this report, no option has been granted or agreed to be granted to any Directors or employees of the Company or its subsidiaries or any other persons under the share option scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has only complied with certain of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year. Details of deviations from the code provisions are as followings:

- a) The Company's chairman and chief executive officer is Mr. Woo Hang Lung. The Company has not yet segregated the duties in order to preserve independence and to have a balanced judgement of views.
- b) The Company has not established a remuneration committee and will take appropriate actions as soon as practicable upon the casual vacancies of independent non-executive directors have been filled.
- c) The Company has not established a nomination committee.
- d) The Group's financial statements for the six months ended 30 June 2006 have not been reviewed by the audit committee.
- e) The Company has failed to announce its results and publish its annual reports for the six months ended 30 June 2006 in time which constituted a breach of rules 18.03, 18.48A and 18.49 of the GEM Listing Rules. The Stock Exchange reserves its right to take appropriate actions against the Company and/or the Directors in respect of the aforesaid breach.

DIRECTORS' SECURITIES TRANSACTIONS

Having made specific enquiry to all Directors, as most of the Directors have resigned from their posts and could not be contacted, the Company is unable to confirm that all Directors had complied with the required standard of dealings and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2006.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group. Because the two audit committee members, namely Mr. Yue Kwai Wa, Ken and Mr. Lau Chi Sun, Robbie have resigned on 31 January 2006, hence, the Group's financial statements for the six months ended 30 June 2006 have not been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

On behalf of the Board
Loulan Holdings Limited
Poon Chiu
Executive Director

Hong Kong, 31 October 2007

The directors of the Company as at the date of this report are as follows:

Woo Hang Lung (Executive Director)
Poon Chiu (Executive Director)
Guo Ping (Executive Director)
Tsao Ke Wen Calvin (Non-Executive Director)
Wang Desheng (Independent Non-Executive Director)