



Loulan Holdings Limited

樓蘭控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8039)

2007 FIRST QUARTERLY RESULTS REPORT

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 (“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.

FIRST QUARTERLY 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 ended 31 March 2007, together with the unaudited comparative figures for the corresponding period in 2006, as follows:

	Notes	Three months ended 31 March	
		2007 RMB'000	2006 RMB'000
Revenue	2	-	3,075
Cost of sales		<u>-</u>	<u>(3,224)</u>
Gross loss		-	(149)
Other revenue and gains		145	44
Selling and distribution costs		-	(175)
Administrative expenses		(900)	(2,178)
Other operating expenses		<u>(234)</u>	<u>-</u>
Loss from operating activities		(989)	(2,458)
Provision on diminution in value of subsidiaries		(50,396)	-
Finance costs		<u>-</u>	<u>(504)</u>
Loss before tax		(51,385)	(2,962)
Tax	3	<u>-</u>	<u>-</u>
Loss for the period attributable to shareholders		<u>(51,385)</u>	<u>(2,962)</u>
		RMB	RMB
Loss per share			
-Basic	5	<u>(0.128)</u>	<u>(0.007)</u>

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 2006.

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

Two major subsidiaries of the Group have been deconsolidated from these accounts to reflect their termination of business.

2. Turnover

The Group is principally engaged in the production, sales and distribution of alcoholic drinks. The Group did not derive any turnover during the period and the turnover for the comparative period represents the net invoiced value of goods sold, after allowances for goods returns, trade discounts, consumption tax and VAT.

3. Tax

No provision for profits tax in the Cayman Islands, the People’s Republic of China or Hong Kong has been made as the Group had no income assessable to profits tax for the three months ended 31 March 2007 as well as the corresponding period of last year in these jurisdictions.

4. Reserves

	Share premium RMB’000	Contribut- ed surplus RMB’000	Statutory reserve fund RMB’000	Accumu- lated losses RMB’000	Revaluat- ion reserve RMB’000	Exchange translation reserve RMB’000	Total RMB’000
At 1 January 2007	35,739	29,703	1,886	(102,287)	120	(42)	(34,881)
Effect on deconsolidation of subsidiaries	-	(7,216)	(1,886)	79,132	(120)	-	69,910
Currency translation difference	-	-	-	-	-	(44)	(44)
Net loss for the period	-	-	-	(51,385)	-	-	(51,385)
At 31 March 2007	35,739	22,487	-	(74,540)	-	(86)	(16,400)
At 1 January 2006	35,739	29,703	1,886	(89,466)	120	(26)	(22,044)
Net loss for the period	-	-	-	(2,962)	-	-	(2,962)
At 31 March 2006	35,739	29,703	1,886	(92,428)	120	(26)	(25,006)

5. Loss per share

The calculation of the Group's basic loss per share for the three months ended 31 March 2007 was based on the unaudited net loss attributable to shareholders of approximately RMB51,385,000 (2006: RMB2,962,000) and the weighted average of 400,000,000 (2006: 400,000,000) shares issued during the period.

Diluted loss per share for the three months ended 31 March 2007 and 2006 have not been disclosed as there were no dilutive potential shares during the periods.

6. Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the three months period ended 31 March 2007, the Group did not derive any turnover (2006: RMB3,075,000) as the Group's two major subsidiaries have terminated their wine manufacturing and distribution businesses during the period. Accordingly, provision on diminution in value of subsidiaries amounted to approximately RMB50,396,000 has been provided. Administrative expenses were kept at a minimum level to maintain the group companies for their further resumption of business.

The loss attributable to shareholders for the three months ended 31 March 2007 was approximately RMB51,385,000 (2006: RMB2,962,000).

OUTLOOK

As at the date of this report, the Group's main businesses in wine distribution and production have been 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.

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

At 31 March 2007, 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	Number of issued shares held, capacity and nature of interest					Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust			
Woo Hang Lung	163,125,000	-	-	-	-	163,125,000	40.78
Junichi Goto	6,000,000					6,000,000	1.50

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

Save as disclosed above, as at 31 March 2007, 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 31 March 2007, Mr. Woo Hang Lung ("Mr. Woo") 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 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 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) 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 31 March 2007, 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:

Name	Number of shares held	%
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 which is a subsidiary of REXCAPITAL Financial Holdings Limited.

Save as disclosed above, as at 31 March 2007, 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.

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 all the causal vacancies in the audit committee have not been filled, hence, the Group’s financial statements for the three months ended 31 March 2007 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 three months ended 31 March 2007.

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

Hong Kong, 29 February 2008

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)