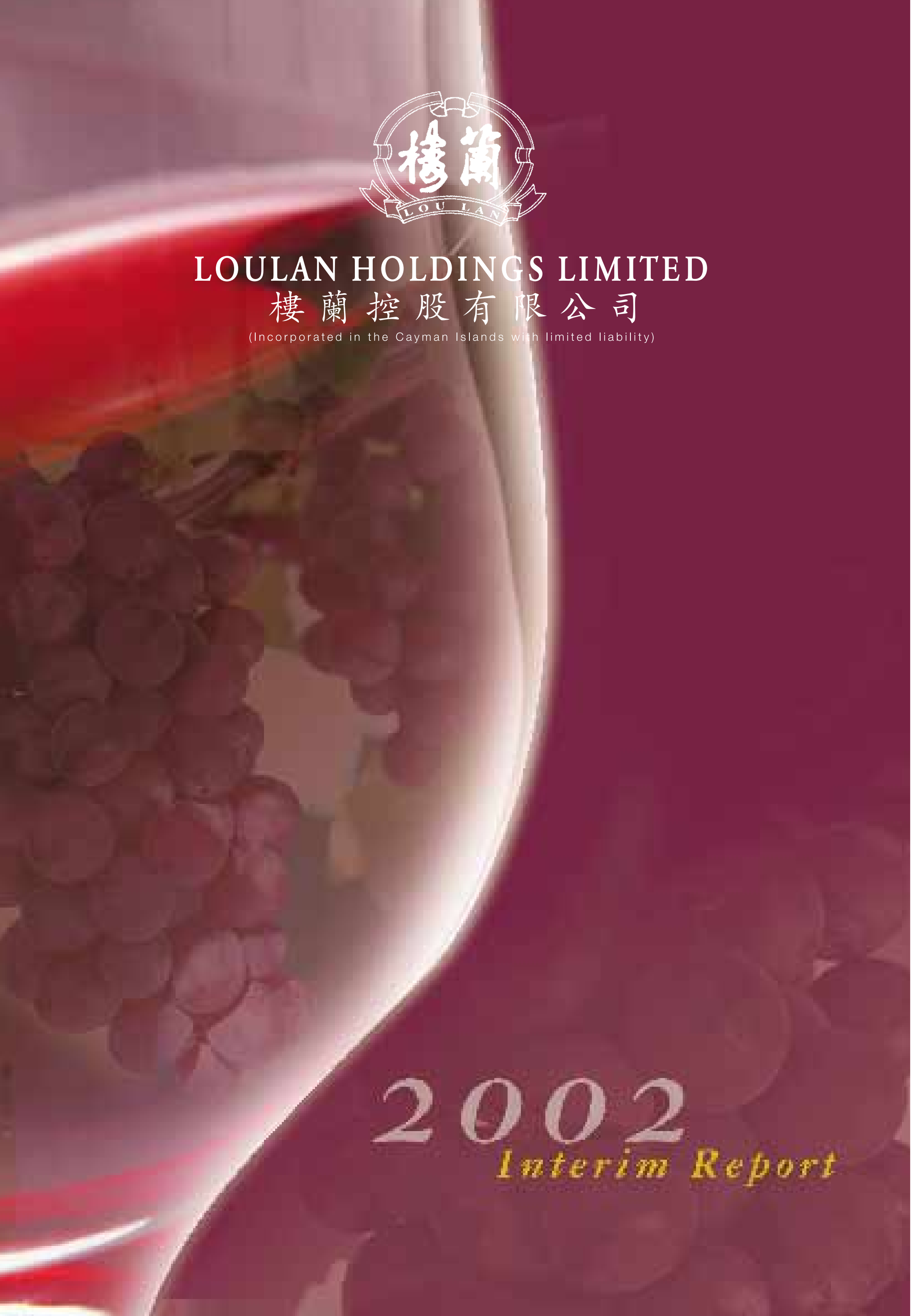

LOU LAN

LOULAN HOLDINGS LIMITED

樓 蘭 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

2002 Interim Report

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

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The Stock Exchange of Hong Kong Limited 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 collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Loulan Holdings Limited. 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 aspects 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.

RESULTS

The board of Directors (the "Board") of Loulan Holdings Limited (the "Company") report that the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2002 together with comparative unaudited figures for the corresponding periods in 2001 are as follows:

CONDENSED COMBINED INCOME STATEMENT (UNAUDITED)

		For the three months ended 30 June		For the six months ended 30 June	
		2002	2001	**2002**	2001
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*3*	**2,100**	2,752	**6,632**	7,137
Cost of sales		**(995)**	(1,281)	**(3,187)**	(3,283)
Gross profit		**1,105**	1,471	**3,445**	3,854
Other revenue		**2**	227	**7**	228
Selling and distribution costs		**(738)**	(682)	**(1,328)**	(1,237)
Administrative expenses		**(1,990)**	(1,044)	**(4,008)**	(1,989)
Other operating expenses		**(1)**	(323)	**(61)**	(335)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	*4*	**(1,622)**	(351)	**(1,945)**	521
Finance costs	*5*	**(803)**	(800)	**(1,606)**	(1,597)
LOSS BEFORE TAX		**(2,425)**	(1,151)	**(3,551)**	(1,076)
Tax	*6*	**–**	–	**–**	–
LOSS BEFORE MINORITY INTERESTS		**(2,425)**	(1,151)	**(3,551)**	(1,076)
Minority interests		**154**	115	**173**	108
LOSS ATTRIBUTABLE TO SHAREHOLDERS		**(2,271)**	(1,036)	**(3,378)**	(968)
Loss per share – basic (RMB)	*8*	**(0.008)**	(0.003)	**(0.011)**	(0.003)

CONDENSED COMBINED BALANCE SHEET

	Notes	As at 30 June 2002 RMB'000 (Unaudited)	As at 31 December 2001 RMB'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets	9	**33,438**	34,050
Intangible assets	10	**4,360**	4,529
		37,798	38,579
CURRENT ASSETS			
Accounts receivable	11	**5,738**	5,283
Prepayments, deposits and other receivables		**5,560**	2,971
Inventories	12	**22,013**	20,302
Due from related companies	13	**2,582**	11,109
Deferred tax		**330**	330
Cash and cash equivalents	14	**21,504**	1,369
		57,727	41,364
CURRENT LIABILITIES			
Bank and other loans	15	**49,392**	18,250
Accounts payable	16	**4,318**	4,060
Other payables and accruals	17	**19,083**	20,467
Tax		**722**	894
Due to a related company	13	**3,771**	2,600
Loan from a shareholder	18	**20,000**	–
		97,286	46,271
NET CURRENT LIABILITIES		**(39,559)**	(4,907)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(1,761)**	33,672
NON-CURRENT LIABILITIES			
Bank and other loans	15	**–**	(31,882)
MINORITY INTERESTS		**(20)**	(193)
		(1,781)	1,597
CAPITAL AND RESERVES			
Share capital	19	**1**	1
Reserves		**(1,782)**	1,596
		(1,781)	1,597

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital	Contributed surplus	Reserve fund	Accumulated losses	Total
	(Note 19)	*(Note 20)*			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2001					
As at 1 January 2001 *(Audited)*	1	9,703	1,579	(8,639)	2,644
Loss for the six months ended 30 June 2001	–	–	–	(968)	(968)
As at 30 June 2001 *(Unaudited)*	**1**	**9,703**	**1,579**	**(9,607)**	**1,676**
2002					
As at 1 January 2002 *(Audited)*	1	9,703	1,884	(9,991)	1,597
Loss for the six months ended 30 June 2002	–	–	–	(3,378)	(3,378)
As at 30 June 2002 *(Unaudited)*	**1**	**9,703**	**1,884**	**(13,369)**	**(1,781)**

CONDENSED COMBINED CASH FLOW STATEMENTS (UNAUDITED)

	For six months ended 30 June 2002	For six months ended 30 June 2001
	RMB'000	*RMB'000*
Net cash inflow/(outflow) in operating activities	**882**	(767)
Net cash outflow in investing activities	**(7)**	(429)
Net cash inflow/(outflow) before financing	**875**	(1,196)
Net cash inflow from financing	**19,260**	–
Increase/(decrease) in cash and cash equivalents	**20,135**	(1,196)
Cash and cash equivalents at beginning of the period	**1,369**	1,987
Cash and cash equivalents at end of the period	**21,504**	791
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**21,504**	791

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

1. Group reorganization

The Company was incorporated in the Cayman Islands on 29 August 2001 as an exempted company with limited liability and its shares have been listed on GEM of the Stock Exchange since 12 August 2002.

Pursuant to a group reorganization ("the Reorganization") to rationale the structure of the Group in preparation for the listing of the company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 24 July 2002. Details of the Reorganization are set out in the prospectus of the Company dated 31st July, 2002 ("Prospectus").

2. Basis of preparation and principal accounting policies

The unaudited condensed combined financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The results of the Group for the period ended 30 June 2002 and the corresponding financial periods of last year have been prepared as if the current group structure had been in existence throughout the relevant period or since the date of incorporation, whichever is shorter and the Reorganization as disclosed in the Prospectus had been undertaken before 1 July 2002.

The accounting policies adopted in preparing the unaudited condensed combined financial statements for the period ended 30 June 2002 are consistent with those followed in the accountants' report as set out in the Prospectus.

3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and consumption tax in the People's Republic of China (the "PRC").

	For the three months ended 30 June		For the six months ended 30 June	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Sale of bottled wine	**2,311**	3,034	**7,333**	7,894
Less: Consumption tax	**(211)**	(282)	**(701)**	(757)
	2,100	2,752	**6,632**	7,137

4. (Loss)/profit from operating activities

The Group's (loss)/profit from operating activities is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of inventories sold	**995**	1,281	**3,187**	3,283
Depreciation of fixed assets	**447**	476	**894**	953
Amortisation of intangible assets	**85**	76	**169**	152
Operating lease rentals in respect of agricultural land	**137**	137	**275**	275
Less: Amount capitalised	**(137)**	(137)	**(275)**	(275)
	–	–	**–**	–
Staff costs (including directors' remuneration:				
Wages and salaries	**1,029**	706	**2,053**	1,411
Pension scheme contributions	**58**	82	**115**	163
	1,087	788	**2,168**	1,574
Less: Amount capitalised	**(103)**	(187)	**(206)**	(374)
	984	601	**1,962**	1,200

5. Finance costs

	For the three months ended 30 June		For the six months ended 30 June	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**803**	800	**1,606**	1,597

6. Tax

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 2002 as well as the corresponding periods of last year in these jurisdictions.

The Group's subsidiary, Xinjiang Loulan Wine Co., Limited ("Xinjiang Loulan"), is a foreign investment enterprise in the PRC which was entitled to an exemption from PRC income tax of 33% for two years commencing from the year ended 31 December 1999, its first profit-making year of operations after offsetting prior year losses. Thereafter, Xinjiang Loulan is entitled to a 50% relief from PRC income tax of 30% payable to the Tax Bureau of the Central Government for the following three years. Xinjiang Loulan is not entitled to any tax exemption or relief in respect of the PRC income tax of 3% payable to the Tax Bureau of the Xinjiang local government commencing from 1 January 2001.

No provision for the PRC income tax has been made as there was no assessable income for the three months and the six months respectively ended 30 June 2002 as well as the corresponding periods of last year.

7. Dividend

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

8. Loss per share

The calculation of the loss per share for the three months ended 30 June 2002 was based on the unaudited loss attributable to shareholders of approximately RMB2,271,000 (2001: RMB1,036,000) and assuming 300,000,000 shares had been in issue during the period.

The calculation of the loss per share for the six months ended 30 June 2002 was based on the unaudited loss attributable to shareholders of approximately RMB3,378,000 (2001: RMB968,000) and assuming 300,000,000 shares had been in issue during the period.

No diluted loss per share for the three months and six months respectively ended 30 June 2002 and the corresponding periods have been presented as there were no dilutive potential ordinary shares in existence during the periods.

9. Fixed assets

	Land use right	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Vineyard development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
Opening balance as at 1 January 2002	9,583	11,883	13,160	1,134	1,526	5,933	43,219
Addition	–	–	–	7	–	275	282
Closing balance as at 30 June 2002	9,583	11,883	13,160	1,141	1,526	6,208	43,501
Depreciation							
Opening balance as at 1 January 2002	(1,676)	(2,993)	(3,894)	(299)	(307)	–	(9,169)
Provided for the period	(159)	(281)	(327)	(72)	(55)	–	(894)
Closing balance as at 30 June 2002	(1,835)	(3,274)	(4,221)	(371)	(362)	–	(10,063)
Net Book Value							
Closing balance as at 30 June 2002	7,748	8,609	8,939	770	1,164	6,208	33,438
Opening balance as at 1 January 2002	7,907	8,890	9,266	835	1,219	5,933	34,050

The Group's land use rights and buildings are situated in the PRC and held under medium term leases.

No interest has been capitalised in vineyard development.

Certain of the Group's fixed assets were pledged to secure a banking facility granted to the Group, further detail of which are disclosed in note 15 of this report.

10. Intangible assets

	Trademarks	Production technology and know-how	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
Balance as at 1 January and 30 June 2002	650	5,456	6,106
Accumulated amortisation:			
Opening balance as at 1 January 2002	168	1,409	1,577
Provided for the period	16	153	169
Closing balance as at 30 June 2002	184	1,562	1,746
Net book value:			
Balance as at 30 June 2002	466	3,894	4,360
Balance as at 1 January 2002	482	4,047	4,529

11. Accounts receivable

The Group generally allows an average credit period of 30 to 180 days to its customers. The ageing analysis of accounts receivable as follows:

	As at 30 June 2002	As at 31 December 2001
	RMB'000	*RMB'000*
Outstanding balance with ages:		
Within 3 months	**2,824**	3,055
Between 4 to 6 months	**1,468**	1,044
Between 7 to 12 months	**2,003**	2,595
Over 1 year	**5,316**	4,462
	11,611	11,156
Less: Provision of bad and doubtful debts	**(5,873)**	(5,873)
	5,738	5,283

12. Inventories

	As at 30 June 2002	As at 31 December 2001
	RMB'000	*RMB'000*
At cost:		
Raw materials	**4,236**	3,917
Work in progress	**13,282**	13,096
Finished goods	**4,495**	3,289
	22,013	20,302

13. Due from/to related companies

The amounts due from/to related companies are unsecured, non-interest bearing and repayable on demand and were fully settled before the listing of the Company's shares on GEM of the Stock Exchange.

14. Cash and cash equivalents

The Group's cash and bank balances were denominated in Renminbi. Renminbi is a currency that cannot be freely converted to other currencies.

Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulation, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

15. Bank and other loans

	As at 30 June 2002	As at 31 December 2001
	RMB'000	*RMB'000*
Bank loans, secured	**44,882**	38,382
Other loans, unsecured	**4,510**	11,750
	49,392	50,132
Bank loan repayable:		
Within one year or on demand	**44,882**	6,500
In the second year	**–**	31,882
	44,882	38,382
Other loan repayable:		
Within one year or on demand	**4,510**	11,750
	49,392	50,132
Portion classified as current liabilities	**(49,392)**	(18,250)
Long term portion	**–**	31,882

The bank loans are secured by floating charges over all the buildings, plant and machinery, motor vehicles and the furniture and fixtures of Xinjiang Loulan, the right to use the trademarks of Xinjiang Loulan, floating charges over the Group's inventories and corporate guarantee amounting to RMB1,500,000 (2001: RMB1,500,000) given by a related company. The net book value of all the pledged fixed assets and inventories of the Group as at 30 June 2002 amounted to approximately RMB19,482,000 (2001: RMB20,210,000) and RMB22,013,000 (2001: RMB20,302,000).

The other loans are unsecured, non-interest bearing and have no fixed terms of repayment.

Other loans mainly comprise loans from 財政局、財政廳、農業廳、經計委of the Xinjiang province in the PRC.

16. Accounts payable

The ageing analysis of accounts payable as follows:

	As at 30 June 2002 *RMB'000*	As at 31 December 2001 *RMB'000*
Outstanding balance with ages:		
Within 3 months	**2,517**	2,158
Between 4 to 6 months	**241**	467
Between 7 to 12 months	**316**	289
Over 1 year	**1,244**	1,146
	4,318	4,060

17. Other payables and accruals

	As at 30 June 2002 *RMB'000*	As at 31 December 2001 *RMB'000*
Value-added tax payable	**3,814**	7,407
Consumption tax payable	**5,588**	5,475
Salaries and staff welfare payable	**257**	72
Accrued expenses	**5,478**	5,158
Other payables	**3,946**	2,355
	19,083	20,467

18. Loan from a shareholder

On 5 June 2002, Mr. Woo Hang Lung ("Mr. Woo"), the shareholder and director of the Company has advanced a loan of RMB20 million to a subsidiary of the Group for working capital. On 24 July 2002, such loan was converted into additional paid-in capital of that subsidiary of the Group. The loan from a shareholder was unsecured, non-interest bearing and repayable on demand.

19. Share capital

	Number of shares of HK$0.01 each	**Nominal value** *HK$'000*	**Equivalent to** *RMB'000*
Authorized	10,000,000,000	100,000	107,000
Issued and fully paid	100,000	1	1

The Company was incorporated on 29 August 2001 and an aggregate 100,000 shares of HK$0.01 each were issued and fully paid as at 24 July 2002.

For the purpose of preparation of the condensed combined balance sheets, the share capital as at 30 June 2002 and 31 December 2001 respectively, represents 100,000 shares of the Company of HK$0.01 each in issue at 24 July 2002, on the basis that the Company had been in existence at 1 January 2001.

As at the date of incorporation of the Company, the authorised share capital was HK$390,000 dividend into 7,800,000 shares of HK$0.05 each. On 5 October 2001, each of the issued and unissued shares of HK$0.05 each in the capital of the Company was subdivided into 5 shares of HK$0.01 each. As a result of the subdivision, the authorised share capital of the Company was HK$390,000 divided into 39,000,000 shares.

On 24 July 2002, the authorised share capital of the Company was increased from HK$390,000 to HK$100,000,000 by the creation of an additional 9,961,000,000 shares.

20. Contributed surplus

It represents the excess of the par value of the shares of the subsidiaries over the nominal value of the Company's shares issued in exchange therefor.

21. Segment information

During the six months ended 30 June 2001 and 30 June 2002, the Group was principally engaged in the production and sales of wine in the PRC. Over 90% of the Group's revenue was derived from customers based in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, the Directors consider that no further business or geographical segment information is presented.

22. Subsequent events

Subsequent to 30 June 2002, the share capital of the Company was changed as follows in connection with the listing of the Company's shares on the GEM of the Stock Exchange on 12 August 2002.

(a) a sum of HK$2,999,000 was capitalized from the amount standing to the credit of the share premium account and the said sum was applied in paying up in full at par an aggregate of 299,900,000 shares.

(b) the Company issued a total of 100,000,000 shares of HK$0.01 each at HK$0.50 per share by way of placing.

FINANCIAL REVIEW

For the six months ended 30 June 2002, the Group sold 302 tons of bottled wine (2001: 437 tons), amounted to approximately RMB6,632,000 (2001: RMB7,137,000). The decrease in the sales of the Group was mainly due to increase in competition in wine market in the northwestern provinces of the PRC. Despite the total Group's sales for the six months ended 30 June 2002 has been decreased, the average gross profit margin of the Group's bottled wine has been maintained at approximately 52% (2001: 54%).

For the six months ended 30 June 2002, the Group's administrative expenses was approximately RMB4,008,000 (2001: RMB1,989,000). The increase was mainly due to the inclusion of staff salary of the Group's office in Hong Kong since 1 August 2001 and the inclusion of two executive Directors' salary commencing from 1 August 2001. Both of the Directors' salary was paid by a related company prior to 1 August 2001.

The loss attributable to shareholders of the Company for the six months ended 30 June 2002 and 30 June 2001 was approximately RMB3.4 million and RMB0.97 million respectively. The increase in loss attributable to shareholders was mainly due to decrease in the Group's sales and increase in administrative expenses as stated above.

PROSPECTS

The Directors believe that with the Group's experience in research, production and marketing of wine products in the PRC and the Group' plans to expand its existing vineyards, the Group is well positioned to capture the opportunity offered by the PRC wine market. On the other hand, with the high quality of the Group's grape wine products which have won the Group a recognised brand name of high quality wine particularly in the PRC and the two new sales agency contracts signed in May 2002 in Shenzhen and Shanghai, the PRC, amounted to a minimum of RMB8 million and RMB25 million respectively, both of which are renewable on a yearly basis, it is envisaged that the Group will achieve a grow in turnover and improvement in profitability in the coming periods.

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

The Group generally finances its operations with cash generated from its operations and banking facilities provided by its bankers in the PRC and other loans. Other loans mainly comprise loans from 財政局、財政廳、農業廳、經計委 of the Xinjiang province in the PRC. As at 30 June 2002, the Group had bank loans and other loans in aggregate amount of approximately RMB44.9 million and approximately RMB4.5 million respectively. The Directors are confident that, based on past experience, the respective banks, will renew upon applications by the Group the bank loans of RMB42.9 million (out of the RMB44.9 million of bank loans as at 30 June 2002, RMB2 million has been repaid in July 2002) on their respective due dates falling before 30 April 2003. The above were all the borrowing facilities available to the Group and were fully utilised. The Group's bank loans bear interest at fixed rates at a range from 6.1% to 7.8% per annum. The bank loans are secured by floating charges over all the buildings, plant and machinery, motor vehicles and the furniture and fixtures of Xinjiang Loulan, the right to use the trademarks of Xinjiang Loulan, floating charges over the Group's inventories and corporate guarantee amounting to RMB1,500,000 given by a related company. Further details of charges on Group's assets are mentioned in note 15 of the condensed combined financial statements.

On 5 June 2002, a shareholders' loan of RMB20 million was injected to the Group. On 24 July 2002, the Shareholders' loan was converted into additional paid in capital of the Group. Notwithstanding the conversion of such loan, the shareholdings of all existing shareholders have been remained unchanged.

Following the listing of the Company's shares on GEM of the Stock Exchange on 12 August 2002, the liquidity position of the Group has been strengthened with the net proceeds from the placing of the Company's shares, which amounts to approximately HK$38.5 million after deducting all relevant expenses. The Group intends to apply these proceeds in the manner as disclosed in the Prospectus.

Taking into consideration the aforesaid bank loans renewal and the existing financial resources available to the Group, it is believed that the Group should have adequate financial resources to meet its operation, development requirements and investments in future.

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollars, or in the local currencies of the operating subsidiaries, keeping minimum exposure to foreign exchange risk. The Group's liquidity and financing arrangements are reviewed regularly.

MATERIAL ACQUISITION/DISPOSALS AND SIGNIFICANT INVESTMENT

The Group had no material acquisitions, disposals and investment other than those set out in the Prospectus during each of the six months ended 30 June 2002 and 30th June 2001. Other than those disclosed in the Prospectus under the section headed "Business Objectives", the Company did not have any plan for material investments and acquisition of material capital assets as at 30 June 2002.

GEARING RATIO

The Group's gearing ratio, based on total borrowings to shareholders' equity and on the basis that the RMB20 million shareholder's loan has been converted into capital, was 2.9 as at 30 June 2002 (31 December 2001: 33.0). The decrease in the gearing ratio from 33 as at 31 December 2001 to 2.9 as at 30 June 2002 was due to the conversion of the shareholder's loan into capital.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs cost in Renminbi. The directors consider that the impact of foreign exchange exposure of the Group is minimal.

EMPLOYEE INFORMATION

At 30 June 2002, the Company employed 281 employees (2001: 265). They were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees include medical insurance and pensions fund. Staff cost was approximately RMB2,168,000 for the six months ended 30 June 2002 as compared with that of approximately RMB1,574,000 for the corresponding period of the preceding financial year. The increase was due to the inclusion of staff salary of the Group's office in Hong Kong since 1 August 2001 and the inclusion of two executive Directors' salary commencing from 1 August 2001. Both of the Directors' salary was paid by a related company prior to 1 August 2001. In order to motivate quality employee and attract high caliber candidates to join the Group, the Company has adopted a share option scheme.

CONTINGENT LIABILITIES

As at 31 December 2001 and 30 June 2002, the Directors are not aware of any material contingent liabilities.

USE OF PROCEEDS

The shares of the Company have been listed on GEM of the Stock Exchange since 12 August 2002. The Company currently has deposited the funds raised in interest bearing deposit with banks and will apply the proceeds in accordance to the schedule as mentioned under the section headed "Use of Proceeds" in the Prospectus.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As the shares of the Company were listed on GEM on 12 August 2002, the Company was not required to keep a register under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as at 30 June 2002.

Immediately upon the listing of the Company, the interests of the Directors and their associates in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of Director	Personal interests (number of Shares)	Family interests (number of shares)	Corporate interests (number of shares)	Other interests (number of shares)	Total number of Shares
Mr. Woo	163,125,000	–	–	–	163,125,000
Mr. Chen Guoping	22,500,000	–	–	–	22,500,000
Mr. Junichi Goto	6,000,000	–	–	–	6,000,000

Save as disclosed above, as at the date of listing of the Company on GEM of the Stock Exchange (the "Listing Date"), none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As the shares of the Company were listed on GEM of the Stock Exchange on 12 August 2002, the Company was not required to keep a register under Section 16(1) of the SDI Ordinance as at 30 June 2002.

Immediately upon the listing of the Company, the register, which is required to be kept under Section 16(1) of the SDI Ordinance, showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors:

Name	**Number of Ordinary Shares**
New Dragon (No. 7) Investments Limited *(Note 1 and 3)*	82,500,000
Nomura China Venture Investment Fund Limited *(Note 1 and 2)*	82,500,000
China Enterprise Investment Fund *(Note 1 and 3)*	82,500,000
Nomura Holdings, Inc. *(Note 1 and 2)*	82,500,000
JAFCO Co., Ltd. *(Note 1 and 2)*	82,500,000
Global Funds Trust Company *(Note 3)*	82,500,000

Notes:

(1) So far as the Directors are aware, New Dragon (No. 7) Investments Limited is beneficially owned and controlled as to 50% by Nomura China Venture Investment Fund Ltd. and as to 50% by China Enterprise Investment Fund.

(2) 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..

(3) So far as the Directors are aware, (a) New Dragon (No. 7) Investments Limited is beneficially owned and controlled as to 50% by Nomura China Venture Investment Fund Ltd. and as to 50% by China Enterprise Investment Fund, and (b) the 50% ownership in New Dragon (No. 7) Investments Limited as being beneficially held and controlled by China Enterprise Investment Fund is being held through Global Funds Trust Company, a company incorporated in Cayman Islands as a trustee.

INTERESTS OF THE DIRECTORS, INITIAL MANAGEMENT SHAREHOLDERS, SUBSTANTIAL SHAREHOLDERS AND OTHERS IN COMPETING BUSINESS

A Director and some of the initial management shareholders of the Company are interested in businesses which compete or may compete, either directly or indirectly, with the businesses of the Group as follows:

Interests of Mr. Woo – a Director

(a) 新疆吐魯番高昌葡萄酒業有限公司(Golden Sun Winery (Turpan) Limited) ("Gao Chang")

Mr. Woo is interested in the equity capital of Koshan Inc so as to exercise or control the exercise of 72.5% of voting power at general meetings of Koshan Inc and the remaining 27.5% was owned by New Dragon (No. 7) Investments Limited. Koshan Inc is interested in 90% of the equity interest of Gao Chang. Gao Chang is principally engaged in the processing and bottling of non-premium grape wine and the sale and distribution of these grape wine products in the PRC. It has also been supplying grapes to Xinjiang Loulan for producing grape wine. Currently, Gao Chang has a few grape wine products for sale in the PRC market, some of which are sold under the brand name of "Gao Chang (高昌)". 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.

The ex-factory prices of certain types of wine such as Pu Tao Gong Jiu, one of the Group's products, are comparable to that of the grape wine products bottled by Gao Chang. However, the sales derived from the Group's three best selling products, namely Lou Lan Dry Red Wine, Lou Lan Medium Dry Red Wine and Lou Lan Red Wine accounted for approximately 74.9% and 71.9% of the Group's total turnover (in terms of bottled wine) respectively for each of two years ended 31st December, 2001 and the sales of the Group's best-selling product, Lou Lan Dry Red wine accounted for approximately 51.2% and 53.4% of the Group's total turnover (in terms of bottled wine) respectively over the same periods. Therefore, the Directors consider that there is no significant direct competition between the business of the Group and that of Gao Chang. At present, Mr. Woo has no intention to change the existing business profile of Gao Chang whose products are targeted at low-end market.

On the other hand, according to the joint venture agreement dated 18th April, 1999 in respect of Gao Chang ("Joint Venture Agreement of Gao Chang"), 吐魯番市葡萄酒廠 (Gao Chang's PRC Partner"), being the PRC joint venture partner of Gao Chang, was required to make capital contributions amounting to RMB1 million to Gao Chang. Such capital contributions were to be satisfied by Gao Chang's PRC Partner providing certain plant, machinery and other assets with valid titles (including two pieces of vineyards of not less than 1,000 mu and 500 mu respectively which produces grapes ready for harvest). In respect of the land and buildings on which Gao Chang is currently operating, no valid land and buildings ownership certificate has been obtained and the reason is that Gao Chang's PRC Partner has not made full capital contribution which should be satisfied by injection of assets with valid titles. Under the Joint Venture Agreement of Gao Chang, Koshan Inc, being the foreign joint venture partner to Gao Chang, was required to make certain capital contributions to Gao Chang amounting to approximately RMB9 million.

Gao Chang has its own working team responsible for the daily management and operations from purchasing, production to sales and distribution of grape wine products. The board of directors of Gao Chang comprises Mr. Woo, Mr. Chen Xin, Mr. Junichi Goto and a representative appointed by Gao Chang's PRC Partner. Whereas, the Board comprises Mr. Woo and Mr. Gregory Marc Michel and with Mr. Chen Xin as the general manager of Xinjiang Loulan. Mr. Woo has devoted and confirmed that he will devote most of his working time to the Group's business. The Directors have also confirmed that Mr. Chen Xin has also devoted all of his working time to the Group's business. On the other hand, since April 1998, the Group has employed Mr. Gregory Marc Michel for development and improvement of the quality of the Group's products for sales in the middle to highend market.

As to the supply of grapes from Gao Chang to the Group, the Group will only purchase those grapes, the quality of which are up to the production requirements of the Group's grape wine products. In addition, Gao Chang had given an undertaking to the Company that, before any sale of grapes which will be made by Gao Chang to any party, the Group is entitled to have a first right to purchase those grapes produced by Gao Chang which meet the requirements of the Group's production of high quality. Gao Chang have further undertaken to the Company that it will not engage in producing grape wine products which are targeted at the middle and high end markets in the PRC.

(b) Luray Limited

Mr. Woo is beneficially interested in 80% of the entire issued share capital of Luray Limited ("Luray") and the balance of which is owned by Consolid Holdings Limited ("Consolid"). Consolid, a company incorporated in Hong Kong with limited liability, is owned as to 999,999 shares by China Depot Ltd. ("CDL") and as to 1 share by Upper Like Investments Ltd.. CDL, a company incorporated in Hong Kong with limited liability, is owned as to 9,999 shares by Mr. Wang Zhiwei and as to 1 share by Mr. Zhong Anhua. The principal business of Luray is the importing and exporting of grape wine products and machine spare parts and in particular, Luray has only provided such services to Xinjiang Loulan for exporting the grape wine products sold under the "Lou Lan" brand name in Hong Kong. In respect of the export of the Group's products after listing of the Shares on GEM of the Stock Exchange, it is the present intention of the Directors to engage other import and export companies in the PRC, which are independent of and not connected with the Directors, substantial shareholders, initial management shareholders, chief executive of the Company or its subsidiaries or any of its respective associates.

Interests of New Dragon (No. 7) Investments Limited, Nomura China Venture Investment Fund Ltd., Nomura Holdings Inc., JAFCO Co. Ltd., China Enterprise Investment Fund, Go-To-Asia Investment Limited and Mr. Junichi Goto

New Dragon (No. 7) Investments Limited is interested in the equity capital of Koshan Inc so as to exercise or control the exercise of 27.5% of voting power at general meetings of Koshan Inc. Koshan Inc is interested in 90% of the equity interest of Gao Chang. Mr. Junichi Goto, a non-executive Director, is also a director of Koshan Inc. The interests of each of Nomura China Venture Investment Fund Ltd., Nomura Holdings Inc., JAFCO Co., Ltd. and China Enterprise Investment Fund are shareholders (direct or indirect, as the case may be) of New Dragon (No. 7) Investments Limited. Go-To-Asia Investment Limited is the fund manager of China Enterprise Investment Fund. For details of the business of Koshan Inc and Gao Chang, please refer to the above paragraph headed "Interests of Mr. Woo – a Director" in this section.

Others

Xinjiang ShanShan Grape Winery Plant ("Shanshan GrapeWinery")

The Directors have confirmed that, at the time of the establishment of Xinjiang Loulan, Shanshan Grape Winery, being the PRC joint venture partner, had contributed by way of injection of assets, including land and wine making facilities. The Directors have confirmed that, save for its 10% shareholding interest in Xinjiang Loulan, Shanshan Grape Winery is not engaged in any wine production and distribution business. Accordingly, the Directors consider that there is no competition between the Group and Shanshan Grape Winery.

UNDERTAKING

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 otherwise (other than as a shareholder and director of the Company in the case of Mr. Woo) in the business of the Group as more particularly set out in this prospectus, or any business which may compete, whether directly or indirectly, with any business carried on by any member of the Group in Hong Kong and the PRC.

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 and management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in business, which compete or may compete with the business of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme for the benefit of the Directors, employees, contractors, consultants and advisors 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.

SPONSORS' INTERESTS

As at the Listing Date, Kim Eng Capital (Hong Kong) Limited, its directors, employees or associates, did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsor agreement dated 31 July 2002 between Kim Eng Capital (Hong Kong) Limited ("Kim Eng") and the Company, the Company had appointed Kim Eng and Kim Eng has agreed to act as a sponsor to the Company for a fee for the period up to 31 December 2004 or until the sponsor agreement is otherwise terminated upon the terms and conditions set out therein.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on the GEM of the Stock Exchange on 12 August 2002.

AUDIT COMMITTEE

The Company has established an audit committee on 24 July 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprises two Independent non-executive Directors, namely Mr. Lau Chi Sun, Robbie and Mr. Lo Chi Man who is the chairman of such committee.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company.

The audit committee has already reviewed the Group's unaudited condensed combined financial statements for the six months ended 30 June 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period since the Listing Date to the date of this report.

By Order of the Board
Loulan Holdings Limited
Woo Hang Lung
Chairman

Hong Kong, 16 August 2002