



**L. P. LAMMAS INTERNATIONAL LIMITED**

**豐裕興業國際有限公司**

(Incorporated in the Cayman Islands with limited liability)

**THIRD QUARTERLY RESULTS**

**(For the three months ended 31 December 2000)**

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

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*This third quarterly results report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange for the purpose of giving Information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this third quarterly results report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this third quarterly results report misleading; and (iii) all opinions expressed in this third quarterly results report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## SUMMARY

- The Group recorded a turnover of HK\$3,641,885 for the nine months ended 31 December 2000
- Gross profit was HK\$1,432,963 for the nine months ended 31 December 2000
- Loss attributable to shareholders was HK\$62,568 for the nine months ended 31 December 2000
- The directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2000

## BUSINESS REVIEW

For the nine months ended 31 December 2000, the turnover of the Company and its subsidiaries (the "Group") amounted to HK\$3,641,885. The Group recorded a loss of HK\$62,568 for that period.

For the three months ended 31 December 2000, the turnover of the Group amounted to approximately HK\$652,932 and the loss attributable to the shareholders amounted to approximately HK\$1,036,563.

For the quarter under review, loss was reported because considerable amount of the resources of the Group were diverted to the flotation of the Company and thus affecting the normal progress of the Group's business dealings. Nevertheless, the Group initiated progress on 32 potential deals, of which 14 non-disclosure agreements for the exchange of information and 8 new mandates for our services were received during the period. The Group received fees from a food manufacturing company and an investment fund for asset disposal and divestments. The Group also received fees from a Hong Kong food-related company and a US food company searching for investment opportunities.

## Outlook

The Group offers business brokerage services in connection with middle market mergers and acquisitions in the Greater China region. To complement its core business brokerage services, the Group also provides business consultancy services to assist clients on various business or management issues.

It is the Group's mission to become an active player in the business brokerage industry in the Greater China region with a focus on middle market transactions involving small and medium sized enterprises in the near term and to become one of the leading business brokerage companies in the Greater China region in the long term.

The directors believe that the PRC's anticipated entry into the WTO and the PRC government's plan to develop the western regions will generate immense business opportunities for foreign investors and the role of business brokers in facilitating investments in the PRC will become more prominent.

In order to position itself to benefit from the growing market, the Directors have formulated a growth and development strategy and the achievements of the Group during the period were as follows:

### **Enhanced capability and capacity**

In order to keep in line with the expansion plan, the Group had been looking elsewhere for suitable space for its Hong Kong head office. Finally additional space of the same building of the existing office was rented to accommodate the extra staff. Renovation of the new office will complete in February 2001 and it is scheduled to move in during the same month.

The Group recruited 4 investment managers during the quarter under review. The Group is also in the process of recruiting more staff for mergers and acquisitions division and business analysts for both Hong Kong and Beijing office to set up the valuation function. It is expected that the new recruits will join the Group in February 2001.

### **Implement and develop AI and other advance technologies**

The Directors intend to make use of AI and other advanced technologies to improve its operation efficiency. Pursuant to the BVT-HK Agreement as stated in the prospectus entered into between the Group and BonVision Technology (Hong Kong) Limited ("BVT-HK"), BVT-HK is responsible for the design, development and maintenance of Opphunt.com in broadly five stages over the next two years. The general concept of user requirements had been defined. However, due to the complexity of the requirements, it took longer than expected to prepare the detailed user specification to the satisfaction of the Directors. The Group was in active discussion with BVT-HK, and meanwhile some of the resources were directed to the strengthening of office automation systems including the setting up of video conferencing facilities to enhance the productivity of the Group.

### **Establish alliances and collaborative customers in targeted sectors**

It is one of the Group's core strategies to focus on building its client base in specifically targeted industries with good business potential. In this respect, the Group has identified the Asset Management Corporations (the "AMCs") as an important business source. In October 2000, the Group has signed a co-operative agreement with China Orient Asset Management Corporation ("COAMC"). The Group will identify and introduce investors for COAMC's assets derived from the NPLs of the Bank of China. The Group is in active discussions with the other three AMCs to enter into NPL Assets disposal agreement similar to COAMC.

The Group has also made considerable effort to enhance its relations with its existing alliances and to forge new alliances. It is tentatively scheduled that the MOU between an international professional institute and Hong Kong Productivity Council (“HKPC”) to jointly introduce M&A to Asia is to be signed in February 2001. It is meanwhile understood that the SME conference of HKPC would be held sometime in June 2001. Besides, the Group has engaged HKPC to conduct SME business owner survey. Upon completion of the survey, HKPC will share the results with the Group and its strategic partners who will co-sponsor the survey.

The strategic partner of the Company has also agreed to jointly develop the online valuation function on Opphunt.com to offer free valuation services to Opphunt.com users. The idea is to generate deal leads for both the Group and the strategic partner.

In response to the Financial Secretary of HKSAR to make HKSAR a regional training center, the Group is considering to offer training courses in Hong Kong to the senior executives of the PRC regarding the financial market in Hong Kong and overseas. The message was well received in the PRC. The Group in collaboration with reputable institutions such as the Hong Kong Polytechnic University will jointly organize such training services.

## **Geographical expansion and establishment of franchise/affiliate system**

To facilitate the introduction of foreign investments to the PRC, the Group plans to set up the first regional office in the US. After conduction of feasibility study, the management learnt that Los Angeles or New York might be a better location than San Francisco. The director took a field trip in January 2001 to look for and set up the office.

The Beijing office will provide continuing technical and operational support to the Group. In order to enhance the capacity and capability of the representative office, extra space adjacent to the old office was rented to accommodate more business consultants.

## **Brand building**

One of the Group’s strategies to promote public awareness of the business brokerage industry in the Greater China region is to cooperate with international professional institute to establish its Greater China Chapter in Hong Kong. The recruitment of the founding members is in progress. It is expected we will have more than 10 members by the end of March 2001.

The Group will also organize regular conferences on specific industries and tours to selected cities in the PRC in order to introduce business opportunities to the participants. The Group will cooperate with individual strategic alliances overseas to arrange the first investment tour in April 2001.

The Group has also carried out marketing activities and over a hundred marketing letters tailored for different industries were sent to overseas investors in the industry sectors of food & beverages, automobile & parts, chemicals, and medicine & health food. The responses were encouraging and the results suggested that the overseas investors are definitely interested in investing in the Greater China region. Follow up actions are in place to maximize the business opportunities upcoming.

## UNAUDITED COMBINED PROFIT AND LOSS ACCOUNT

The Board announces the unaudited combined results of the Group for the three months and nine months ended 31 December 2000 together with the comparative unaudited combined results for the corresponding periods in 1999 as follows:—

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2000 Unaudited combined	1999 Unaudited combined	2000 Unaudited combined	1999 Unaudited combined
		HK\$	HK\$	HK\$	HK\$
Turnover	3	652,932	4,016,509	3,641,885	5,026,509
Cost of services provided		1,155,009	305,220	2,208,922	1,252,293
Gross profit/(loss)		(502,077)	3,711,289	1,432,963	3,774,216
Other revenue		49,199	2,690	238,600	5,676
Administrative and general expenses		(583,685)	(136,196)	(1,734,131)	(636,080)
Profit/(loss) before tax	4	(1,036,563)	3,577,783	(62,568)	3,143,811
Tax		0	(150,000)	0	(450,000)
Net profit/(loss) attributable to shareholders		(1,036,563)	3,427,783	(62,568)	2,693,811
Dividends		Nil	Nil	Nil	Nil
Earnings/(loss) per share					
Basic	5	(0.2 cents)	0.5 cents	(0.01 cents)	0.4 cents
Diluted		N/A	0.5 cents	N/A	0.4 cents

Notes:

## **(1) BASIS OF PREPARATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares have been listed on the GEM operated by the Stock Exchange since 14 December 2000.

The company acquired the entire issued share capital of L. P. Lammas BVI on 29 November 2000 and accordingly the current structure of the Group did not legally exist until the aforementioned date. The combined results of the Group for the period from 1 April 2000 to 31 December 2000 have been prepared on a merger basis, which are based on the unaudited management accounts of the companies now comprising the Group, include the results of the Group as if the current structure of the Group had been in existence throughout the period from 1 April 2000 to 31 December 2000, or from the respective dates of their incorporation where this is a shorter period. All material intra-group transactions and balances have been eliminated on combination.

## **(2) PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong.

## **(3) TURNOVER**

Turnover represents the net invoiced value of services provided.

## **(4) TAXATION**

No provision for Hong Kong profits tax has been made for the period from 1 April to 31 December, 2000 as the Group has not generated any assessable profits arising in Hong Kong during the period (1999: tax rate of 16%).

As at 31 December 2000, there were no significant deferred tax assets and liabilities for which a recognition/provision has not been made (1999: Nil).

## **(5) LOSS PER SHARE**

The calculation of the basic loss per share for the three months and nine months ended 31 December, 2000 is based on the respective loss attributable to shareholders of HK\$1,036,563 and HK\$62,568 and the weighted average number of 669,565,217 and 649,890,909 ordinary shares in issue during the respective periods. No diluted loss per share is presented as the effect is anti-dilutive.

The basic earnings per share in respect of the three months and nine months ended 31 December 1999 is based on profit of HK\$3,427,783 and HK\$2,693,811 respectively and on the assumption that 640,000,000 shares had been in issue throughout the period; while the diluted earnings per share was based on the weighted average number of ordinary shares of 644,500,000 shares, being the 640,000,000 ordinary shares assumed in issue during the period, the weighted average of 4,500,000 ordinary shares assumed to have been issued at no consideration on the exercise of the share options as set out in note (8) of this report.

## **(6) INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2000 (1999: Nil).

## **(7) MOVEMENT IN RESERVES**

During the nine months ended 31 December 2000, the Group and the Company has the following movement in reserves:

- Issue of 160,016,000 new shares at HK\$0.20 each in December 2000, resulting in increase of approximately HK\$22 Million, net of share issuance expenditure, in share premium.
- Capitalization of 630,000,000 shares in December 2000, resulting in reduction in share premium of HK\$12,600,000.

There was no movement of reserves, other than retained earnings, for the corresponding period for 1999.

## **(8) DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Under the terms of a Pre-IPO Share Option scheme (the "Scheme") adopted by the Company, the board of directors was authorized, at its absolute discretion, to grant options to employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company. On 29 November 2000, 18,700,000 share options were offered to executive directors and certain employees of the Group under the Scheme at the following exercise price. Particulars of these options and the grantees are set out below:

<b>Grantee</b>	<b>Date of grant</b>	<b>Number of shares subject to the options and the exercise price per share</b>	<b>Exercise period</b>
<i>Executive Directors</i>			
(1) Pong Wai Yan	29 November 2000	(a) 1,400,000 at HK\$0.20	(a) 14 June 2001 to 13 June 2006



<b>Grantee</b>	<b>Date of grant</b>		<b>Number of shares subject to the options and the exercise price per share</b>		<b>Exercise period</b>
	29 November 2000	(b)	1,400,000 at HK\$0.20 and 1,000,000 at HK\$0.02	(b)	14 June 2002 to 13 June 2007
	29 November 2000	(c)	1,400,000 at HK\$0.20 and 1,400,000 at HK\$0.02	(c)	14 June 2003 to 13 June 2008
(2) Kan Siu Lun	29 November 2000	(a)	1,200,000 at HK\$0.20	(a)	14 June 2001 to 13 June 2006
	29 November 2000	(b)	1,200,000 at HK\$0.20 and 800,000 at HK\$0.02	(b)	14 June 2002 to 13 June 2007
	29 November 2000	(c)	1,200,000 at HK\$0.20 and 1,200,000 at HK\$0.02	(c)	14 June 2003 to 13 June 2008
(3) Tsang Chiu Tak	29 November 2000	(a)	800,000 at HK\$0.20	(a)	14 June 2001 to 13 June 2006
	29 November 2000	(b)	800,000 at HK\$0.20 and 200,000 at HK\$0.02	(b)	14 June 2002 to 13 June 2007
	29 November 2000	(c)	800,000 at HK\$0.20 and 400,000 at HK\$0.02	(c)	14 June 2003 to 13 June 2008
<i>Senior Management</i>	29 November 2000	(a)	Aggregate of 1,200,000 at HK\$0.20	(a)	14 June 2001 to 13 June 2006
	29 November 2000	(b)	Aggregate of 1,200,000 at HK\$0.20	(b)	14 June 2002 to 13 June 2007
<i>Employees</i>	29 November 2000		Aggregate of 1,100,000 at HK\$0.20		14 June 2001 to 13 June 2006

At 31 December 2000, the outstanding Pre-IPO Share Options were reduced to 18,500,000 as a result of an employee of the Group having ceased her employment with the Group since 10 December 2000.

Apart from the foregoing, at no time during the nine months ended 31 December 2000 was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## (9) DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2000, 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	Number of issued ordinary shares of HK\$0.02 each in the Company held and nature of interest					Total
	Corporate	Family	Personal	Other		
Pong Wai Yan	<i>Note</i>	632,400,000	—	4,000,000	—	636,400,000
Kan Siu Lun			—	3,600,000	—	3,600,000

*Note: These 632,400,000 shares are held by WYP Holdings Limited. The entire issued share capital in WYP Holdings Limited is registered in the name of and beneficially owned by Pong Wai Yan.*

Save as disclosed above, as at 31 December 2000, none of the Directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI ordinance.

## (10) SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the register 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 are in addition to those disclosed above in respect of the Directors:

Name of shareholders	No. of shares held
WYP Holdings Limited	632,400,000 ( <i>Note</i> )
Pong Wai Yan	636,400,000

*Note: These Shares are held by WYP Holdings, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Pong Wai Yan.*

#### **(11) COMPETITION AND CONFLICT OF INTEREST**

Save as set out below, none of the directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, have engaged in any business that competes or may compete with the business of the Group or any other conflict of interest with the Group: Dr Chun Hon Wai, Andy, a non-executive director of the Company, is the chief executive officer of BVT-HK which will provide services to the Group pursuant to the BVT-HK Agreement.

#### **(12) SPONSOR'S INTEREST**

As at 31 December 2000, Tai Fook Capital Limited (the "Sponsor"), 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 agreement dated 4 December 2000 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 15 December 2000 to 31 March 2003.

#### **(13) AUDIT COMMITTEE**

The Company set up an Audit Committee (the "Committee") on 29 November 2000 with written terms of reference for the purpose of reviewing and supervising the financial reporting process and internal control system of the Group. The audit committee comprises two members who are independent non-executive Directors.

#### **(14) PURCHASE, SALE OR REDEMPTIONS OF LISTED SECURITIES**

From 14 December 2000 (date of listing) to 31 December 2000, neither the company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board  
**L. P. Lammas International Limited**  
**Pong Wai Yan**  
*Chairman*

Hong Kong, 12 February, 2001