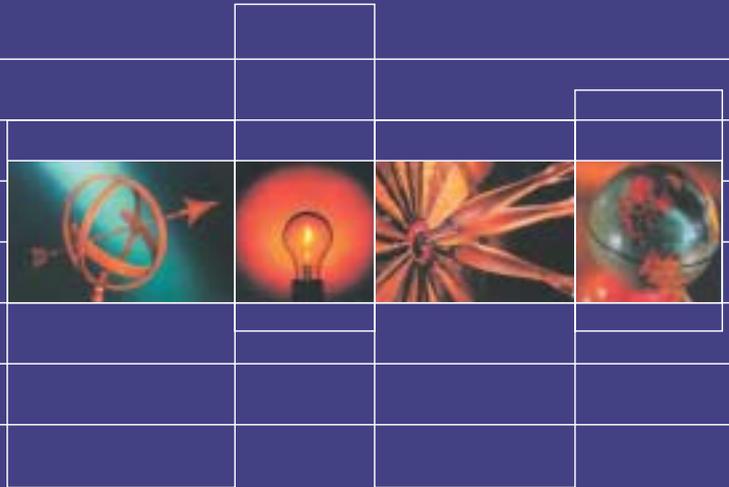




**L.P. LAMMAS INTERNATIONAL LIMITED**

**豐裕興業國際有限公司**

*(incorporated in the Cayman Islands with limited liability)*



Annual Report

**2001**

## **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 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 announcement, 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 the announcement.

This announcement, for which the directors (the “Directors”) of L. P. Lammas International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (“GEM Listing Rules”) on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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: (i) the information contained in this announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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## Corporate Information

### Legal name of the Company

L. P. Lammas International Limited

### Directors

#### Executive Directors

Pong Wai Yan (*Chairman*)

Kan Siu Lun (*Chief Executive Officer*)

Yu Yan Chun

#### Non-Executive Directors

Chan Man Hung

Leung Chi-Kin, Stewart

#### Independent Non-Executive Directors

Yu Yuk Ying, Vivian

Lo King Yau, Edwin

#### Audit Committee

Yu Yuk Ying, Vivian (*Chairman*)

Lo King Yau, Edwin

#### Company Secretary

Kuo Kwan CPA (AUST.), A.H.K.S.A.

#### Compliance Officer

Kan Siu Lun

#### Qualified Accountant

Kuo Kwan CPA (AUST.), A.H.K.S.A.

#### Authorized Representatives

Pong Wai Yan

Kan Siu Lun

#### Registered Office

Zephyr House

Mary Street

George Town

Grand Cayman

British West Indies

### Head Office and Principal Place of Business

23rd Floor, Hing Wai Building

36 Queen's Road Central

Hong Kong

### Website of the Company

[www.lplammas.com](http://www.lplammas.com)

### Sponsor

Tai Fook Capital Limited

### Legal Advisers to the Company

As to Hong Kong law

Chiu & Partners

As to PRC law

Guangzhou Foreign Economic Law Office

As to Cayman Islands law

Conyers Dill & Pearman, Cayman

### Auditors and Reporting Accountants

Ernst & Young

### Principal Share Registrar and Transfer Office

Bank of Butterfield International

(Cayman) Ltd

Butterfield House, Fort Street

P.O. Box 705, George Town

Grand Cayman, Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited

4th Floor, Hutchison House

10 Harcourt Road

Central Hong Kong

### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited



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## *Financial Highlight*



- The Group recorded a turnover of HK\$3,786,885 for the year ended 31 March 2001
- Gross Profit was HK\$297,809 for the year ended 31 March 2001
- Loss attributable to shareholders was HK\$4,624,540 for the year ended 31 March 2001
- The directors do not recommend the payment of a dividend for the year ended 31 March 2001
- As at 31 March 2001, the Group had cash on hand and in banks amounting to HK\$20,040,314



## Chairman's Statement

L. P. Lammas International Limited (the "Company") and its subsidiaries (collectively the "Group") specialize in the business of mergers and acquisitions ("M&A") for small to medium enterprises (SME's), private and public in the Greater China region. The Group also offers a wide range of financial advisory services to accommodate the varying needs of its clients for the success of its M&A transaction advisory services. Since founded in 1993, the Group has established good records and standing through quality deliveries. From time to time, the Group serves customers who are Fortune 500 companies; NASDAQ listed companies, local blue chips and privately held firms. Building on its success, the Company became listed on SEHK in Dec 2000, with the support of its shareholders and staff.

The Directors of the Group believe that with the impending accession of the PRC to the WTO, the sustained robust economic growth of the PRC, and the recovery of Asian economies on one side; and on the other side, the slowing down of economic growth of the West; the growth of business opportunities for mid-sized M&A in the region will be continuously strong. Such a view gains further support from the business community of Hong Kong through the results of a survey for local entrepreneurs under the sponsorship of the Group.

In anticipation of its high potential growth, the Group has since been focusing on the building up of strategic alliances for multiplying the capturing of business leads, while increasing its delivery capabilities as supported by branding, promotional activities, and internal process restructure. By doing this, the Group is evolving from its traditional though proven, to the more dynamic but corporate operations for the immense business opportunities ahead. Recently, the Group has withheld its IT strategy and investment for its business demand generation with reference to the prevailing market sentiment about IT application, and the leading practices of the US for mid-sized M&A activities.

Against its track record, the Group's profitability for the period has yet to improve. Nonetheless, the Directors of the Group have good reasons to believe that the current situation will enhance rapidly when the consolidated efforts of the Company put in place have come into effect. In parallel, the Directors of the Group impose tight cost control measures and productivity enhancement schemes to ascertain that the resources of the Group are optimized for their best value to shareholders and customers.

On behalf of the Board of Directors, I would like to take this opportunity to extend my gratitude to all the shareholders for their invaluable continuous support. I would also like to express our sincere appreciation to all the staff of the Group, who are the essence of our success, for their commitment and contribution.

**Pong Wai Yan**

*Chairman*

Hong Kong, June 2001



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## *Business Review*



For the year ended 31 March 2001, the turnover of the Company and its subsidiaries (the “Group”) amounted to HK\$3,786,885 and the loss attributable to shareholders was HK\$4,624,540. The financial performance of this fiscal year has yet to improve. From the first quarter of 2001 and onwards, the Directors have introduced tight cost control measures within the Company and prioritized corporate development projects accordingly, all to enhance the financial performance.

The year under review was a challenging one for the Group. The Directors believe that in order to create the demand for the Group’s services, the Group must begin with the education of SME’s on the merits and usage of M&A transactions. Thus, the Group was focused on this daunting task of informing, cultivating and instilling the benefits and usages of mid-market M&A activities into the general public. Only by doing this, together with the growing economy, will the demand for our services grow.

Through various ongoing activities the Group had initiated and participated in the past fiscal year, the general public should have gained a preliminary understanding of the advisory services offered by the Group to SME’s in their M&A transactions. Concurrently, by focusing on the flotation of the Company, the Group also offered a reliable means for such advisory services to SME’s. The Group had also made progress in increasing its sources of business intake by recruiting and forming strategic alliances with new strategic partners, organizing M&A seminars for business owners and geographic expansion.

With reference to the recovering Asian economy instigated by the strong economy in the Greater China Region, the Group implemented new policies and strategies to better reach and service its potential clients. Extensive business referral schemes, in cooperation with local professionals, were planned and implemented successfully. After making reference to the matured mid-sized M&A market of the US, the Group had further refined its structure for providing M&A advisory services into two business sections, namely Business advisory and M&A servicing, to improve upon its operational efficiency, capacity and service quality.

In order to address the shifted sentiments of the market on IT applications and the leading practices of the US mid-sized M&A activities, the Group had to response promptly by adopting new policies and business strategies, one of which was to place considerable emphasis on developing a more extensive business channeling plan with its strategic partners and alliances. With these new policies and business strategies in place, the Group had lowered the priority of IT development in achieving the business objectives of the Group. Accordingly, the Directors made, in April 2001, a crucial decision to withhold its AI development at the moment.

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## *Business Review*

Through the M&A seminars offered by the Group, many business owners, formerly unaware of the Group's advisory services for SME's in their M&A transactions were introduced to a new means to satisfy their business and personal needs. These business owners become very high potential clients of the Group, once they are educated about our services.

To follow through on its business objectives, the Group had expanded its PRC office to be able to provide better coverage and services to potential clients. The Group further set up another overseas office in Canada to increase operational efficiency by providing liaison services to its many strategic partners and alliances within North America, brought about by international activities resulting from its principal businesses.

As at 31 March 2001, the Group has initiated more than 60 potential deals and is currently actively involved in 7 of them. These potential deals are expected to contribute to a significant increase in turnover when compared to the year under review. Although the performance for this fiscal year is less than satisfactory, the Directors believe that the Group's future profitability will be improved, as a solid foundation has been established for future growth.

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## Outlook and Development

In light of the impending accession of the PRC into the WTO, and the recovering of economy in the Asian countries, the Directors are confident that the demand for advisory services for SME's in their M&A transactions will remain strong in the Greater China region, which is the focus of the Group. In addition to the observations and advices of its Board of Directors, the Group's judgment is also supported by results of the survey conducted by Hong Kong Productivity Council (HKPC), a neutral and non-profit making semi-government organization to support local enterprises, under the sponsorship of the Group. The objectives of the survey were to investigate the enterprise growth situation for Hong Kong's SME's, and to construct the SME Growth Index for the reference of the community at large in Hong Kong.

One of the results of the survey indicates that most business owners of mid-sized companies in Hong Kong have been deprived of advisory services in their M&A transactions for business growth, development and exit. To capitalize on the immense opportunities, as revealed by these business signals, the Group has recently made and will continue to further develop the following endeavors accordingly:

### **CPA referral program**

In March 2001, the Group launched a CPA referral program. The objective of the program is for the Group to expand on its existing customer base by offering business owners of mid-sized companies serviced by local CPA firms the Group's advisory services for their M&A transactions. The Group has already lined up with over 30 CPA firms as its alliances, each carrying a few hundred to over a thousand accounts, many of which are SME's. The Group is expecting to form alliances with over 20 other CPA firms in the short run. The response to the program is overwhelming; as a result these alliances have already referred 9 potential deals to the Group. The contents of the referral program are also structured to integrate with the Group's other business endeavors, such as the offering of M&A seminars for SME owners introduced by CPAs, so that the Group's relationship with these business owners can be sustained and will grow progressively.

### **Alliance with commercial banks**

Apart from CPA firms, the alliances with commercial banks also serve as an additional channel for the Group to provide advisory services to business owners in their M&A transactions. The Group will also organize M&A seminars for business owners introduced by commercial banks. Currently, the Group is finalizing arrangements with 3 commercial banks in Hong Kong to assist in the handling of their non-performing loan ("NPL") portfolio by disposing of the relevant assets/businesses, a similar service which the Group is offering to Assets Management Corporation of the Bank of China, one of the "Big Four" national commercial banks of the PRC.

## *Outlook and Development*

### **Alliance with HKPC**

Besides the SME Growth Index mentioned above, the Group has jointly piloted with the HKPC an M&A seminar in May 2001 on "Buying and Selling of a Business". The seminar was conducted by qualified speakers from the Group, professional firms and the Hong Kong Trade and Industry Department, with SME owner attendees recruited jointly by the Group and the HKPC. Business owners were educated on the entire process of selling a business, from producing a valuation for their companies to closing the deal. The responses were encouraging. As the attendees began to comprehend the benefits and usages of M&A transactions for their enterprises' developments, many attendees approached the Group for advisory services related to M&A transactions afterwards. In view of the positive response, the Group plans to hold these seminars on a regular basis, in collaboration with its alliances, to expand its customer base.

### **Alliance with Industry Federation of Business Owners & SME communities**

Via the cooperation with the Industry Federation of Business Owners and SME communities, the Group believes that the presence of the Group within the SME communities will be established. The benefits and usage of the Group's advisory services for SME's in their M&A transactions will be promoted through member activities organized by these SME communities, such as luncheon talks, seminars, conferences and exhibitions. Some Federations, with average number of company members ranging from 500 to 4,000, have agreed to enter into cooperative arrangements with the Group. The Group is also in negotiation with 2 other federations and plans to approach an additional 200 in the near future.

### **Exposure to the corporate community of the PRC**

In addition to the marketing campaigns in Hong Kong, as mentioned above, the Group also makes extensive efforts to maximize its exposure to the corporate community within the PRC. At the request of its provincial governor, the Group has organized a presentation on M&A for corporate development in June 2001 to all the CEOs of the influential firms and senior government officials within the Heilongjiang province. This is one of the formats through which the Group develops and establishes business relationships with PRC enterprises. Such an exercise will be repeated with other influential provinces and cities within the PRC on a regular basis.

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## Outlook and Development

### Connection with public companies in the PRC

The Group's Beijing office maintains regular contact with 1,000 plus public companies in the PRC. Many of them have responded favorably to the Group's M&A advisory services, specifically, the search for international investors and partners for their corporate developments at strategic and project levels. These public companies are situated over a wide geographic area within the PRC and span many industries.

### Alliances with US counterparts

To develop an international network for its M&A advisory services, the Group signed an agreement in May 2001 with a US firm in a similar business as the Group. The arrangement is established to facilitate the sourcing and matching of potential deals between public and private companies and investors in the Greater China region and the United States. The Directors believe that the Group's strong local network and business knowledge that overseas clients lack enable the Group to anchor its position in the business brokerage industry in Asia, especially in the PRC.

### Other development

The Group is in active discussion with one of our strategic partners (the "strategic partner") on the joint development and promotion of its e-marketplace Opphunt.com. In the proposed arrangement, the strategic partner will further market and develop Opphunt.com services while the Group will provide users who have posted their M&A requirements on Opphunt.com with the required services. As the strategic partner maintains a strong relationship with many local enterprises in Hong Kong, it is believed the Group will benefit from the comprehensive coverage and reach of the strategic partner to be able to offer its advisory services in M&A transactions to business owners across many industries in the Greater China region. On the other hand, the strategic partner also recognizes the necessity of having the Group's M&A transaction advisory services attached to Opphunt.com. In this respect, the popularity of Opphunt.com will be established and raised.

Being an active player in providing advisory services to SME's in their M&A transactions, the Group will continue its strategies to maximize the exposure of its services to potential clients within the business community. The Group's mission is to generalize the practice of mid-market M&A transactions and related advisory services across enterprises of varying industries, to becoming one of the leading providers of advisory services for SME's in their M&A transactions in the Greater China region. Despite this fiscal year's uncertain and

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## *Outlook and Development*

unsatisfactory financial conditions, the Group has built a solid foundation and framework to build and move forward on. Coupled with the recovering Asian economies, the Group is optimistic about its future prospect in providing advisory services to SME's in their M&A transactions. Moreover, the Directors are constantly on the alert for corporate development opportunities that surface from time to time, and will always act in the best interests of the shareholders.



## Progress Against Business Objectives

Set out below is a comparison between the Group's actual business progress to date and its business objectives as set out in its Prospectus.

### Business objectives as set out in the Prospectus:

### Actual business progress to date:

#### (1) Enhanced capability and capacity

Identify and move to new headquarters in Hong Kong with adequate area for the Group's expanding manpower

Additional space within the same building of the existing office was rented to accommodate the expansion of the Group's staff force and enhancement of office facilities.

Recruit staff to develop research and survey team and business valuation team in Hong Kong

The Group's management team had visited US in the first quarter of 2001 and observed the operating practices of the Group's US counterparts. After making reference to US practices, the Directors decided to further refine its structure for M&A transaction advisory services into two business sections namely Business Advisory (including direct marketing, business intelligence and research) and M&A Servicing (including business valuation, buyer search and business consulting) to improve its production efficiency, capacity and service quality. The Group has recruited 5 additional staff during the period under review and is in the progress of recruiting more staff to accommodate the anticipated increase in the need to provide business brokerage services.

Enhance capability to include business valuation services

The Group originally planned to jointly develop an online valuation function on Opphunt.com with strategic partners to complement its core business and provide value-added service to its customers. However, the Group considered that to acquire an existing online valuation function may be more cost effective and thus is now in the stage of evaluating the two alternatives.

## Progress Against Business Objectives

### (2) Implement and develop AI and other advance technologies

Launch an enhanced version of Opphunt.com with improved screens, flows and commands

In April 2001, the Group made a crucial decision to terminate the BVT-HK agreement pursuant to which BonVision Technology (Hong Kong) Limited ("BVT-HK") agreed to provide service for the enhancement of Opphunt.com, implementation of AI and other advanced technologies. The major reason for such a decision was that the Group and BVT-HK were not able to come to a mutually agreeable user requirements. On the other hand, in light of corporations turning away from Information Technology as an active platform for business, and the prevailing market practice of US mid-size M&A market to conduct M&A transactions in the traditional way, the Directors consider the termination of the Agreement to be in the interests of the Group. However, in the long run, the clicks & mortar business model may be implemented if the Group will be able to benefit more from IT enhancements for its business growth.



## Progress Against Business Objectives



### (3) Establish alliances and collaborative customers in targeted sectors



Enter into collaboration arrangement with institutions in the banking sector in the PRC

The Group considered that the assets derived from non-performing loans (“NPLs”) of the Asset Management Corporations (the “AMCs”) were one of the major business sources. The Group has already signed a cooperative agreement with the AMC for the Bank of China, China Orient Asset Management Corporation (“COAMC”), to be their overseas representative to dispose of the NPL assets. Via this arrangement, the Group had received fees from a US company by introducing an investment opportunity amongst one of the NPLs assets. The Group is making steady progress with the three remaining AMCs of the national banks of China for similar arrangements.

Assist the formation of global partnership between the HKPC and IBBA for the Greater China region

In February 2001, HKPC and IBBA entered into a co-operative global partnership agreement to develop business matching and investment opportunities; to promote the awareness and understanding of business matching, growth financing and M&A; and to promote professionalism within business matching and M&A.

## Progress Against Business Objectives

### (4) Geographical expansion and establishment of franchise/affiliate system

Finalize feasibility system on establishment of representative office in San Francisco

After conduction of the feasibility study, the management learnt that San Francisco is not a good location for setting up a regional office. Therefore, the regional office is set up in Vancouver, Canada in February 2001. The Canada office serves as a liaison center for introducing investment opportunities from the PRC to investors in the region. The Directors believe that the office will make it more efficient for the Group to identify and tap potential foreign investors for PRC investments.

Establish representative office in San Francisco

The Directors considered that for demand generation purposes, the WTO related feasibility studies might not be as effective as originally expected due to the postponement of the PRC's admission to WTO. However, the Group has implemented other business strategies, e.g. forming alliance with the Group's US counterparts, to substitute the studies.

Perform WTO related feasibility studies with potential investors based in the US and investment targets based in the PRC



## Progress Against Business Objectives



### (5) Brand building



<p>Finalize cooperation plans with IBBA and its members</p>	<p>The cooperation plans with IBBA and its members have not been finalized but the Group maintains a close relationship with IBBA and is currently assisting IBBA to recruit and channel PRC news. In addition, the Group will also take part in IBBA annual conference and present to IBBA members a video CD to outline the opportunities and pitfalls of global M&amp;A.</p>
<p>Sponsor the establishment of IBBA Greater China Chapter to be established in Hong Kong</p>	<p>The Group is still in the progress of recruiting members to establish the IBBA Greater China Chapter.</p>
<p>Organize with alliances regional and industry specific conferences in the PRC to facilitate the acquisition of assets derived from NPLs by US investors</p>	<p>Instead of organizing conferences in the PRC and setting up information booths in the US, the Group has engaged our US counterparts as an alternative and more cost-effective way to promote assets derived from NPLs.</p>
<p>Set up information booths at industry specific conferences and trade fairs in the US to promote assets derived from NPLs to investors</p>	<p>See above</p>
<p>Advertise the services of Opphant.com to selected sectors in Hong Kong</p>	<p>The Group proposes to enter into a joint development and promotion program with a strategic partner for Opphant.com. If the plan comes into effective, the strategic partner who has good connections with local enterprises will be responsible for marketing and development of Opphant.com.</p>

## Directors, Senior Management and Staff

### EXECUTIVE DIRECTORS

**Mr Pong Wai Yan**, aged 31, is the chairman and managing director of the Company. Mr Pong, who founded the Group in 1993, is responsible for the overall management, strategic planning and development of the Group. Mr Pong has about 9 years of experience in business consultancy and conducting mergers and acquisitions transactions. Mr Pong is acting as a member of the Career Advisory Board of the University of Hong Kong. Mr Pong holds a Bachelor degree in Commerce from the University of British Columbia, Canada.

**Mr Kan Siu Lun**, aged 46, is the chief executive officer of the Company. At present, Mr Kan is a member of the Board of Review of Inland Revenue, HKSAR. For the three years commencing 1995, Mr Kan served as Member of Court of Hong Kong Baptist University. He is a creative strategist and an entrepreneurial executive with solid experience in leading enterprise and application of IT for business excellence. He obtained his MBA from the Henley Management College, Brunel University, U.K.. Prior to joining L.P. Lammas Asia Limited in July 2000, Mr Kan held senior management position with First Pacific Bank, HSBC and Compaq Computer Limited where he served various clients of the Greater China region.

**Mr Yu Yan Chun**, aged 45, joined the Group in September 1997. Mr Yu is responsible for the PRC aspect of the Group's business. Mr Yu is based in the Beijing office. He graduated from the Beijing Broadcasting University, P.R.C. in 1982. He has extensive experience and network with different PRC government agencies.

### NON-EXECUTIVE DIRECTORS

**Dr. Chan Man Hung**, aged 52, joined the Group as non-executive Director in November 2000. He was educated at the University of Hong Kong (B. Soc. Sci 1973), Chinese University of Hong Kong (M. Phil. 1975), and Flinders University of South Australia (Ph.D. 1984). Dr. Chan has previously held other public posts, he was a consultant with the Country Economic Mission of World Bank in 1992, Hong Kong Affairs Advisor to the Chinese Government during the period between 1994 and 1997, and a member of the Consultative Committee on New Airport and Relation projects for the Hong Kong Government from 1991 to 1998. Dr. Chan is at present the head of China Business Centre at the Hong Kong Polytechnic University, Hong Kong, and was a special member of the sub-council on the revitalization of Asian Economic, Council of Foreign Exchange and other Transactions, Ministry of Finance, Japanese government in 1999.



## *Directors, Senior Management and Staff*



**Mr Leung Chi-Kin, Stewart**, aged 62, was appointed as a non-executive Director in November 2000. He is the director and group general manager of New World Development Company Limited, executive director of New World Infrastructure Limited and New World China Land Limited, and director of New World Hotel Company Limited, New World First Bus Services Limited and Hip Hing Construction Company Limited. He is also deputy chairman of Huey Tai International Limited.

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Ms Yu Yuk Ying, Vivian**, aged 41, joined the Group as an independent non-executive Director in November 2000. She is a practicing solicitor in Hong Kong and a partner of Messrs. Yung, Yu, Yuen & Co..

**Mr Lo King Yau, Edwin**, aged 40, joined the Group as an independent non-executive Director in November 2000. Mr Lo is a chartered company secretary and holder of a Master's Degree in Applied Finance from Macquarie University, Australia. Previously, he served in various executive roles in several companies in Hong Kong, including as company secretary for publicly listed companies in Hong Kong. Mr Lo is currently an executive director of Allied Group Limited and Tian An China Investments Company Limited.

### **SENIOR MANAGEMENT**

**Mr Teng Kin Ting**, aged 31, joined the Group in May 1996. Mr Teng is responsible for the US operation of the Group. He graduated from the University of British Columbia with a Bachelor degree of Science in 1992. Mr Teng worked for an accounting firm in Canada prior to joining the Group.

**Ms Kuo Kwan**, aged 31, joined the Group in July 2000 as Qualified Accountant and Company Secretary. Ms Kuo holds a Bachelor degree in commerce from the University of Melbourne. She has over five years' auditing experience and prior to joining the Group, she worked for Horwath Hong Kong CPA Limited. In addition to her experience in accounting and auditing, she also acquired extensive knowledge in mergers and acquisitions through various due diligence assignments. She is a member of Australia Society of CPAs, and an Associate of the Hong Kong Society of Accountants.

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## *Directors, Senior Management and Staff*

### **AUDIT COMMITTEE**

The Company has established an audit committee on 29th November, 2000 with written terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises two members who are independent non-executive Directors, and Ms. Yu Yuk Ying, Vivian is the chairperson of the audit committee.



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## *Report of the Directors*



The directors herein present their first annual report and the audited financial statements of the Company for the period from 11 July 2000 (date of incorporation) to 31 March 2001 and of the Group for the year ended 31 March 2001.



### **Group reorganisation**

The Company was incorporated in the Cayman Islands on 11 July 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Pursuant to a group reorganisation (“Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in December 2000, the Company became the holding company of the companies now comprising the Group on 29 November 2000. This was accomplished by acquiring the entire issued share capital of L.P. Lammas International (BVI) Limited (“LPL-BVI”) in consideration of and in exchange for the Company’s allotted and issued share capital. Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 1 and 12 to the financial statements, respectively, and in the Company’s prospectus dated 5 December 2000.

The shares of the Company were listed on the GEM of the Stock Exchange on 14 December 2000.

### **Principal activities**

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 12 to the financial statements. There were no changes in the nature of the Group’s principal activities during the year.

## Report of the Directors

### Segmental information

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area for the year ended 31 March 2001 is as follows:

	Turnover HK\$	Contribution to loss from operating activities HK\$
By principal activity:		
Business brokerage services	2,747,625	(2,493,380)
Business consultancy services	1,039,260	(2,089,326)
	<u>3,786,885</u>	<u>(4,582,706)</u>
By geographical area:		
Hong Kong	<u>3,786,885</u>	<u>(4,582,706)</u>

### Results and dividends

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 56.

The directors do not recommend the payment of any dividend in respect of the period.

## Report of the Directors

### Summary financial information

The following is a summary of the consolidated/combined results of the Group for each of the three years ended 31 March 2001, prepared on the basis set out in note 1 below.

	2001 HK\$	Year ended 31 March 2000 HK\$	1999 HK\$
TURNOVER	<u>3,786,885</u>	<u>8,035,363</u>	<u>1,053,500</u>
PROFIT/(LOSS) BEFORE TAX	(4,582,706)	5,029,021	(1,335,434)
Tax	<u>(41,834)</u>	<u>(600,000)</u>	<u>—</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(4,624,540)</u>	<u>4,429,021</u>	<u>(1,335,434)</u>

Notes:

- The summary of the combined results of the Group for the two years ended 31 March 2000 has been extracted from the Company's prospectus dated 5 December 2000. This summary was prepared based on the audited combined financial statements of the Group as if the structure of the Group had been in existence throughout these financial years, and was presented on the basis set out in note 1 to the financial statements. The results of the Group for the year ended 31 March 2001 are those set out on page 32 of the financial statements.
- Since the Group Reorganisation was completed on 29 November 2000, the only audited consolidated/combined balance sheets for the Group that have been prepared are those set out on page 33 of the financial statements.

### Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 11 to the financial statements.

### Subsidiaries

Particulars of the Company's subsidiaries are set out in note 12 to the financial statements.

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## *Report of the Directors*

### **Share capital and share options**

Details of movements in the Company's share capital and share options during the period, together with reasons therefor, are set out in note 15 to the financial statements.

### **Reserves**

Details of movements in the reserves of the Company and of the Group during the period/year are set out in note 16 to the financial statements.

### **Distributable reserves**

The share premium account, in accordance with the Companies Law (2000 Revision) of the Cayman Islands, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

### **Pre-emptive rights**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **Purchase, redemption or sale of listed securities**

Other than in connection with the Company's initial public offering by way of placing in the course of listing its shares on the GEM of the Stock Exchange, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period and up to the date of this report.



## Report of the Directors



### Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 91% of the total sales for the year and sales to the largest customer included therein amounted to 40%. To the best knowledge of the directors, neither the directors, including their respective associates, nor the shareholders who own more than 5% of the issued share capital of the Company has any interest in any of the five largest customers of the Group.

Purchases from the Group's five largest suppliers accounted for 66% of the total purchases for the year and purchases from the largest supplier included therein amount to 22%. Apart from BonVision Technology (Hong Kong) Limited ("BVT-HK"), in which Dr Chun Hon Wai, a non-executive director of the Company, has beneficial ownership of 24%, none of the directors, their respective associates or shareholders who own more than 5% of the issued share capital of the Company has any interest in any of the five largest suppliers of the Group.

### Directors

The directors of the Company during the period were as follows:

#### Executive directors:

Mr. Pong Wai Yan	<i>(appointed on 11 July 2000)</i>
Mr. Kan Siu Lun	<i>(appointed on 11 July 2000)</i>
Mr. Tsang Chiu Tak	<i>(appointed on 11 July 2000)</i>
Mr. Lee King Lun	<i>(appointed on 11 July 2000 and resigned on 10 August 2000)</i>

#### Non-executive directors:

Dr. Chan Man Hung	<i>(appointed on 29 November 2000)</i>
Dr. Chun Hon Wai	<i>(appointed on 29 November 2000)</i>
Mr. Leung Chi-Kin, Stewart	<i>(appointed on 29 November 2000)</i>

#### Independent non-executive directors:

Ms Yu Yuk Ying, Vivian	<i>(appointed on 29 November 2000)</i>
Mr. Lo King Yau, Edwin	<i>(appointed on 29 November 2000)</i>

Subsequent to the balance sheet date, Mr Chun Hon Wai resigned as a non-executive director of the Company on 1 April 2001. On 18 April 2001, Mr Tsang Chiu Tak resigned as an executive director of the Company. On 4 June 2001, Mr Yu Yan Chun was appointed as an executive director of the Company.

## Report of the Directors

### Directors (Continued)

In accordance with Article 108 of the Company's articles of association, the directors of the Company, including the non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company. Messrs Kan Siu Lun and Leung Chi-Kin, Stewart will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 111 of the Company's articles of association, Mr Yu Yan Chun will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer himself for re-election.

### Directors' service contracts

Each of Messrs Pong Wai Yan, Kan Siu Lun and Tsang Chiu Tak has entered into a service contract with the Company for an initial fixed term of two years commencing from 1 December 2000, and will continue thereafter until terminated by not less than two months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory obligations.

### Directors' interests in contracts

Save as disclosed in note 18 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

### Related party transactions

Details of the related party transactions of the Group are set out in note 18 to the financial statements.

## Report of the Directors

### Directors' remuneration and the five highest paid individuals

Details of the directors' remuneration are as follows:

	2001 HK\$	2000 HK\$
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	–	–
Other emoluments of executive directors:		
Basic salaries, bonus, housing benefits, other allowances and benefits in kind	1,543,332	161,850
Pension contributions	<u>12,000</u>	<u>–</u>
	<u>1,555,332</u>	<u>161,850</u>

There were three executive directors receiving individual emoluments of HK\$670,666 (2000: HK\$161,850), HK\$604,000 (2000: nil) and HK\$280,666 (2000: nil) for the year ended 31 March 2001.

Share options to subscribe for a total of 15,200,000 shares in the Company were granted to certain executive directors of the Company during the year. In the absence of a readily available market value for options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of these options. Accordingly, no value is included in the directors' remuneration in respect of the share options granted.

None of the non-executive and independent non-executive directors received any fees or other reimbursements or emoluments for the year ended 31 March 2001.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The remuneration of each director fell within the Nil - HK\$1,000,000 band.

## Report of the Directors

### Directors' remuneration and the five highest paid individuals (Continued)

The five highest paid individuals during the year included three (2000: one) directors, details of whose emoluments are set out above. The emoluments and designated band of the remaining two (2000: four) highest paid, non-director individuals during the year were as follows:

	2001 HK\$	2000 HK\$
Basic salaries, bonus, housing benefits, other allowances and benefits in kind	441,750	299,879
Pension contributions	8,000	–
	<u>449,750</u>	<u>299,879</u>

The remuneration of the highest paid non-director individuals during the year fell within the range of nil to HK\$1,000,000.

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

### Directors' interests in share capital

At 31 March 2001, 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		Total
	Personal interests	Corporate interests	
Mr. Pong Wai Yan	4,000,000	632,400,000 (note)	636,400,000
Mr. Kan Siu Lun	3,600,000	–	3,600,000

Note: These shares are held by WYP Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital in WYP Holdings Limited is registered in the name of and is beneficially owned by Mr Pong Wai Yan.

Save as disclosed above, 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.

## Report of the Directors

### Directors' rights to acquire shares

Under the terms of the share option scheme (the "Share Option Scheme") adopted by the Company on 29 November 2000, the board of directors is authorised, 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. Further details of the Share Option Scheme are set out in note 15 to the financial statements.

Prior to the listing of the Company's shares on the GEM of the Stock Exchange, the Company granted share options (the "Pre-IPO Share Options") to the executive directors to subscribe for the shares of the Company. Details of these Pre-IPO Share Options are as follows:

Name of director	Exercise period	Exercise price	Number of shares being subject of options granted during the period and outstanding as at 31 March 2001
Mr. Pong Wai Yan	14 June 2001 to 13 June 2006	HK\$0.20	1,400,000
	14 June 2002 to 13 June 2007	HK\$0.20	1,400,000
	14 June 2003 to 13 June 2008	HK\$0.20	1,400,000
	14 June 2002 to 13 June 2007	HK\$0.02	1,000,000
	14 June 2003 to 13 June 2008	HK\$0.02	1,400,000
Mr. Kan Siu Lun	14 June 2001 to 13 June 2006	HK\$0.20	1,200,000
	14 June 2002 to 13 June 2007	HK\$0.20	1,200,000
	14 June 2003 to 13 June 2008	HK\$0.20	1,200,000
	14 June 2002 to 13 June 2007	HK\$0.02	800,000
	14 June 2003 to 13 June 2008	HK\$0.02	1,200,000
Mr. Tsang Chiu Tak	14 June 2001 to 13 June 2006	HK\$0.20	800,000
	14 June 2002 to 13 June 2007	HK\$0.20	800,000
	14 June 2003 to 13 June 2008	HK\$0.20	800,000
	14 June 2002 to 13 June 2007	HK\$0.02	200,000
	14 June 2003 to 13 June 2008	HK\$0.02	400,000
			15,200,000

## Report of the Directors

### Directors' rights to acquire shares *(Continued)*

Subsequent to the balance sheet date, the 3,000,000 Pre-IPO Share Options granted to Mr. Tsang Chiu Tak were cancelled as he resigned from the Group.

Further details of the Pre-IPO Share Options are set out in note 15 to the financial statements.

During the year, a development and maintenance agreement (the "BVT-HK Agreement") was entered into between the Company, Opphunt Limited and BVT-HK, in which Dr. Chun Hon Wai, a non-executive director of the Company, has beneficial ownership of 24%.

Pursuant to the terms of the BVT-HK Agreement, share options of the Company (the "BVT-HK Options") were granted by the Company to BVT-HK to subscribe for an aggregate of 800,000 shares of the Company. Details of the BVT-HK Options are set out in the Company's prospectus dated 5 December 2000. There was no change in the number of the BVT-HK Options up to the balance sheet date.

Subsequent to the balance sheet date, as further detailed in note 20 to the financial statements, the Company terminated the BVT-HK Agreement (the "Termination") in accordance with the termination clause stipulated therein and BVT-HK agreed to the Termination. The BVT-HK Options originally granted under the BVT-HK Agreement lapsed accordingly.

Further details of the BVT-HK Options are set out in note 15 to the financial statements.

Apart from the foregoing, and other than in connection with the Group Reorganisation in preparation for the listing of the Company's shares on the GEM of the Stock Exchange by way of placement, at no time during the period was the Company, its holding company or any of its 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 the acquisition of shares in the Company or any other body corporate.



## Report of the Directors



### Substantial shareholders

At 31 March 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:



Name	Number of shares held	Percentage of issued shares
WYP Holdings Limited (Note)	632,400,000	79.05
Mr Pong Wai Yan	636,400,000	79.55

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

Save as disclosed above, the directors were not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

### Subsequent event

Details of the significant subsequent event of the Group and the Company is set out in note 20 to the financial statements.

### Sponsors' interests

As at 31 March 2001 and as at the date of this report, Tai Fook Capital Limited (the "Sponsor"), its directors, employees or associates, did not have any interest in the securities of the Company or of any members of the Group, or have any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to the agreement dated 4 December 2000 entered into between the Company and the Sponsor, the Sponsor received, and will receive fees for acting as the Company's retained sponsor for the period from 15 December 2000 to 31 March 2003.

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## *Report of the Directors*

### **Competition and conflict of interest**

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 has any other conflict of interest with the Group.

### **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 providing supervision over the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors. The Group's financial statements for the year ended 31 March 2001 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

### **Auditors**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

### **Pong Wai Yan**

*Chairman*

Hong Kong  
22 June 2001



## Report of the Auditors



### To the members

#### L.P. Lammas International Limited

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 32 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Ernst & Young

*Certified Public Accountants*

Hong Kong  
22 June 2001

## Consolidated Profit and Loss Account

Year ended 31 March 2001

	NOTES	2001 HK\$	2000 HK\$
Turnover	4	3,786,885	8,035,363
Cost of services provided		<u>(3,489,076)</u>	<u>(1,985,232)</u>
Gross profit		297,809	6,050,131
Other revenue		408,789	19,644
General and administrative expenses		(4,853,469)	(1,040,754)
Other operating expenses		<u>(435,835)</u>	<u>–</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	(4,582,706)	5,029,021
Tax	7	<u>(41,834)</u>	<u>(600,000)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	8, 16	(4,624,540)	4,429,021
Dividends	9	<u>–</u>	<u>(2,400,000)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR	16	<u><u>(4,624,540)</u></u>	<u><u>2,029,021</u></u>
EARNINGS/(LOSS) PER SHARE – Basic	10	(HK0.7cents)	HK0.7 cents
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Other than the net profit/loss from ordinary activities for the year attributable to shareholders, the Group had no recognised gains and losses. Accordingly, a Statement of Recognised Gains and Losses is not presented in the financial statements.

## Consolidated Balance Sheet

31 March 2001

	NOTES	2001 HK\$	2000 HK\$
<b>NON-CURRENT ASSETS</b>			
Fixed assets	11	<u>1,166,857</u>	<u>597,815</u>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		230,722	111,925
Due from a director	13	–	1,205,183
Cash and bank balances		<u>20,040,314</u>	<u>2,295,009</u>
		<u>20,271,036</u>	<u>3,612,117</u>
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		717,057	339,663
Tax payable		640,311	608,320
Due to a director	14	–	52,840
Dividend payable		–	<u>2,400,000</u>
		<u>1,357,368</u>	<u>3,400,823</u>
<b>NET CURRENT ASSETS</b>		<u>18,913,668</u>	<u>211,294</u>
		<u>20,080,525</u>	<u>809,109</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	16,000,000	80,002
Reserves	16	<u>4,080,525</u>	<u>729,107</u>
		<u>20,080,525</u>	<u>809,109</u>

**Pong Wai Yan**  
 Director

**Kan Siu Lun**  
 Director

## Consolidated Cash Flow Statement

Year ended 31 March 2001

	NOTES	2001 HK\$	2000 HK\$
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	17(a)	(3,248,962)	2,679,421
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		404,286	19,644
Dividend paid		(2,400,000)	—
Net cash inflow/(outflow) from returns on investments and servicing of finance		(1,995,714)	19,644
TAX			
Hong Kong profits tax paid		(9,843)	—
INVESTING ACTIVITIES			
Purchases of fixed assets		(896,132)	(510,881)
Proceeds from disposal of long term investment		—	1
Net cash outflow from investing activities		(896,132)	(510,880)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		(6,150,651)	2,188,185
FINANCING ACTIVITIES	17(b)		
Proceeds from issue of shares of a subsidiary		—	2
Gross proceeds from issue of shares		32,000,000	—
Share issue expenses		(8,104,044)	—
Net cash inflow from financing activities		23,895,956	2
INCREASE IN CASH AND CASH EQUIVALENTS		17,745,305	2,188,187
Cash and cash equivalents at beginning of year		2,295,009	106,822
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>20,040,314</u>	<u>2,295,009</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>20,040,314</u>	<u>2,295,009</u>

**Balance Sheet**

31 March 2001



	NOTES	2001 HK\$
<b>NON-CURRENT ASSETS</b>		
Interests in subsidiaries	12	22,803,181
<b>CURRENT LIABILITIES</b>		
Accruals and other payables		<u>14,333</u>
		<u>22,788,848</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	15	16,000,000
Reserves	16	<u>6,788,848</u>
		<u>22,788,848</u>

**Pong Wai Yan***Director***Kan Siu Lun***Director*

## *Notes to Financial Statements*

31 March 2001

### **I. GROUP REORGANISATION AND BASIS OF PRESENTATION**

The Company was incorporated in the Cayman Islands on 11 July 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2000, the Company became the holding company of the companies now comprising the Group on 29 November 2000. This was accomplished by acquiring the entire issued share capital of L.P. Lammas International (BVI) Limited ("LPL-BVI") in consideration of and in exchange for the Company's allotted and issued share capital.

Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 15 and 12 to the financial statements, respectively, and in the Company's prospectus dated 5 December 2000.

The shares of the Company were listed on the GEM of the Stock Exchange on 14 December 2000.

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of their acquisitions pursuant to the Group Reorganisation. Accordingly, the consolidated results and cash flows of the Group for the years ended 31 March 2000 and 2001 include the results and cash flows of the Company and its subsidiaries with effect from 1 April 1999 or since their respective dates of incorporation, where this is a shorter period. The comparative consolidated balance sheet as at 31 March 2000 has been prepared on the basis that the Group had been in existence at that date.

The Company was incorporated on 11 July 2000. Accordingly no comparative amounts as at 31 March 2000 have been presented for the Company's balance sheet.



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## Notes to Financial Statements

31 March 2001



### 2. CORPORATE INFORMATION



During the year, the Group was involved in the following principal activities:

- Business brokerage services
- Business consultancy services

In the opinion of the directors, as at the year end, the ultimate holding company of the Company was WYP Holdings Limited (“WYP Holdings”), a company incorporated in the British Virgin Islands.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation and consolidation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation, as described in note 1 above. In the opinion of the directors, the consolidated financial statements prepared on this basis present more fairly the comparative results, cash flows and financial position of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

## Notes to Financial Statements

31 March 2001

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- the rendering of services, on an accrual basis and in accordance with the terms of the underlying agreements and mandates; and
- interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

#### Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows.

Depreciation is provided on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Motor vehicles	30%
Computers	30%
Office equipment	20%
Furniture and fixtures	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.



## Notes to Financial Statements

31 March 2001



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*



#### Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

#### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

#### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight line basis over the lease terms.

#### Foreign currencies

The Company and its subsidiaries maintain their accounting records in Hong Kong dollars. Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

#### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

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## *Notes to Financial Statements*

31 March 2001

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **Cash equivalents**

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

#### **Retirement benefits scheme**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions vest fully with the employees when contributed into the Scheme.

### **4. TURNOVER**

Turnover represents the net invoiced value of services provided.

## Notes to Financial Statements

31 March 2001

### 5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001 HK\$	2000 HK\$
Cost of services provided	3,489,076	1,985,232
Auditors' remuneration	460,000	150,000
Depreciation	327,090	266,703
Operating lease rentals in respect of land and buildings	687,960	192,005
Pension contributions (excluding directors' remuneration (note 6))	25,858	—
Staff costs (excluding directors' remuneration (note 6))*	2,120,964	628,659
Provision for doubtful debts	435,835	—
Interest income	(404,286)	(19,644)
	<u>                    </u>	<u>                    </u>

\* Inclusive of an amount of HK\$1,574,196 (2000: HK\$628,659) classified under cost of services provided.

### 6. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2001 HK\$	2000 HK\$
Fees	—	—
Basic salaries, bonus, housing benefits, other allowances and benefits in kind	1,543,332	161,850
Pension contributions	12,000	—
	<u>                    </u>	<u>                    </u>
	<u>1,555,332</u>	<u>161,850</u>

## Notes to Financial Statements

31 March 2001

### 6. DIRECTORS' REMUNERATION (Continued)

During the period ended 31 March 2001, the Company granted share options to the executive directors of the Company for the subscription of an aggregate of 10,200,000 and 5,000,000 shares of the Company at the exercise prices of HK\$0.20 and HK\$0.02 per share, respectively. No value has been included in the directors' remuneration in respect of these share options granted during the period because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted.

### 7. TAX

	Group	
	2001 HK\$	2000 HK\$
Hong Kong tax:		
Provision for the year	–	600,000
Prior year's underprovision	41,834	–
	<u>41,834</u>	<u>600,000</u>

Hong Kong profits tax has not been provided for the year as the Group did not generate any assessable profits in Hong Kong during the year. Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2000. No provision for overseas income tax has been made for both years presented as the Group did not earn any assessable profits in other jurisdictions during these years.

As at the balance sheet date, there were no significant deferred tax assets or liabilities for which a recognition/provision has not been made.



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## Notes to Financial Statements

31 March 2001



### 8. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS



The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2001 was HK\$1,674,982.

### 9. DIVIDENDS

No dividend has been paid or declared by the Company during the year. The dividends for the prior year represented dividends paid by a subsidiary to its then shareholders prior to the Group Reorganisation. The dividend rates and the number of shares ranking for the prior year's dividends are not presented as such information is not considered meaningful for the purposes of these financial statements.

### 10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$4,624,540 (2000: profit of HK\$4,429,021) and the weighted average number of 689,534,247 (2000: 640,000,000) ordinary shares of the Company, calculated based on the assumption that the Group Reorganisation as further described in note 1 to the financial statements had been completed on 1 April 1999.

Diluted loss per share for the year ended 31 March 2001 has not been shown as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for the year. Diluted earnings per share for the year ended 31 March 2000 has not been calculated as no diluting event existed during that year.

## Notes to Financial Statements

31 March 2001

### II. FIXED ASSETS

#### Group

	Motor vehicles HK\$	Computers HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Total HK\$
Cost:					
At beginning of year	365,309	205,523	35,041	442,221	1,048,094
Additions	284,196	248,850	98,138	264,948	896,132
At 31 March 2001	649,505	454,373	133,179	707,169	1,944,226
Accumulated depreciation:					
At beginning of year	230,854	69,391	15,733	134,301	450,279
Provided during the year	138,011	78,370	13,922	96,787	327,090
At 31 March 2001	368,865	147,761	29,655	231,088	777,369
Net book value:					
At 31 March 2001	280,640	306,612	103,524	476,081	1,166,857
At 31 March 2000	134,455	136,132	19,308	307,920	597,815

### 12. INTERESTS IN SUBSIDIARIES

	Company HK\$
Unlisted shares, at cost	567,874
Due from subsidiaries	22,235,307
	<u>22,803,181</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## Notes to Financial Statements

31 March 2001

### 12. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ establishment and operations	Paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
L.P. Lammas International (BVI) Limited	The British Virgin Islands	US\$10,000	100%	–	Investment holding
L.P. Lammas Asia Limited	Hong Kong	HK\$60,000	–	100%	Provision of business information and business brokerage services
L.P. Lammas China Limited	Hong Kong	HK\$10,000	–	100%	Provision of business information and business brokerage services
L.P. Lammas Group Limited	Hong Kong	HK\$10,000	–	100%	Dormant
Opphunt Limited	Hong Kong	HK\$2	–	100%	Operation of automated e-business system
L.P. Lammas Investment Limited (formerly L.P. Lammas International Limited)	Hong Kong	HK\$2	–	100%	Dormant

## Notes to Financial Statements

31 March 2001

### 13. DUE FROM A DIRECTOR

Particulars of an amount due from a director disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

	At 31 March 2001 HK\$	Maximum amount outstanding during the year HK\$	At 1 April 2000 HK\$
Mr. Pong Wai Yan	—	1,205,183	1,205,183

The amount due from a director was unsecured, interest-free and was repaid in full during the year.

### 14. DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and was repaid in full during the year.

### 15. SHARE CAPITAL

	2001 HK\$
Authorised:	
6,000,000,000 ordinary shares of HK\$0.02 each	<u>120,000,000</u>
Issued and fully paid:	
800,000,000 ordinary shares of HK\$0.02 each	<u>16,000,000</u>

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## Notes to Financial Statements

31 March 2001

### 15. SHARE CAPITAL (Continued)

The following changes in the Company's authorised and issued share capital took place during the period from 11 July 2000 (date of incorporation of the Company) to 31 March 2001:

- (i) On incorporation, the authorised share capital of the Company was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. On 11 July 2000, 999,999 shares were allotted and issued nil paid and 1 share was allotted and issued at par.
- (ii) Pursuant to a written resolution of the sole member of the Company on 29 November 2000, the authorised share capital of 1,000,000 ordinary shares of HK\$0.10 each of the Company was subdivided into 5,000,000 ordinary shares of HK\$0.02 each by subdividing every issued ordinary share of HK\$0.10 each of the Company into 5 ordinary shares of HK\$0.02 each. The authorised share capital of the Company was increased to HK\$200,000 on the same day by the creation of a further 5,000,000 shares of HK\$0.02 each. On the same day, the authorised share capital of the Company was further increased from HK\$200,000 to HK\$120,000,000 by the creation of a further 5,990,000,000 shares of HK\$0.02 each.
- (iii) On 29 November 2000, as part of the Group Reorganisation described in note 1 to the financial statements, the Company (i) allotted and issued an aggregate of 5,000,000 new shares of HK\$0.02 each credited as fully paid at par; and (ii) credited as fully paid at par the 4,999,995 shares originally allotted and issued nil paid, in consideration of and in exchange for the acquisition of the entire issued share capital of LPL-BVI. The excess of the fair value of the shares of LPL-BVI, determined on the basis of the consolidated net assets of LPL-BVI on that date, over the nominal value of the Company's shares issued in exchange therefor, amounting to HK\$367,874, was credited to the Company's share premium account as further detailed in note 16 to the financial statements.
- (iv) On 8 December 2000, a total of 630,000,000 shares of HK\$0.02 each were allotted as fully paid at par to the holders of the shares registered on the register of members of the Company in proportion to their respective shareholdings by way of the capitalisation of the sum of HK\$12,600,000 standing to the credit of the share premium account of the Company. The allotment was conditional on the share premium account being credited as a result of the new share issue by way of placement on 8 December 2000.

## Notes to Financial Statements

31 March 2001

### 15. SHARE CAPITAL (Continued)

- (v) The Company was listed on the GEM of the Stock Exchange on 14 December 2000 by way of a placement of 160,000,000 shares of HK\$0.02 each at HK\$0.20 per share on 8 December 2000. The gross consideration received from the placement, before issue expenses, was HK\$32,000,000.

A summary of the above movements in the issued share capital of the Company is as follows:

	Number of shares issued	Par value HK\$
Shares allotted and issued at par on incorporation	1	–
Shares allotted and issued nil paid on incorporation and subsequently credited as fully paid at par	999,999	100,000
	1,000,000	100,000
Share sub-division of one share of HK\$0.10 each into five shares of HK\$0.02 each	4,000,000	–
	5,000,000	100,000
Shares issued as consideration for the acquisition of the entire issued share capital of LPL-BVI	5,000,000	100,000
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the subsequent share placement	630,000,000	–
New issue by way of placement	160,000,000	3,200,000
Capitalisation of the share premium account as set out above	–	12,600,000
Share capital as at 31 March 2001	<u>800,000,000</u>	<u>16,000,000</u>



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## Notes to Financial Statements

31 March 2001



### 15. SHARE CAPITAL (Continued)



The comparative balance of the share capital as at 31 March 2000 as shown on the consolidated balance sheet represents the aggregate nominal value of the share capitals of the Company's subsidiaries as at that date.

#### Share options granted to employees of the Group

Under the terms of the share option scheme (the "Share Option Scheme") adopted by the Company on 29 November 2000, the board of directors is authorised, 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. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

In respect of share options to be granted after the listing of the Company's shares on the GEM of the Stock Exchange, the subscription price will be a price determined by the directors, but may not be less than the highest of the closing price of the shares on the GEM on the date of grant of the particular option or the average of the closing prices of the shares on the GEM for the five trading days immediately preceding the date of the offer of grant of the particular option or the nominal value of a share.

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme may not exceed, in nominal amount, 30% of the issued share capital of the Company. The Share Option Scheme will remain in force for a period of ten years commencing on 29 November 2000.

In respect of share options granted prior to the listing of the Company's shares on the GEM of the Stock Exchange (the "Pre-IPO Share Options"), the subscription price of the Pre-IPO Share Options should not be less than the nominal value of a share.

## Notes to Financial Statements

31 March 2001

### 15. SHARE CAPITAL (Continued)

During the period, the Company granted 18,700,000 Pre-IPO Share Options to the executive directors and employees of the Group for the subscription of an aggregate of 18,700,000 shares of the Company. The summary details of the Pre-IPO Share Options are as follows:

Exercise price per share	Exercise period	Number of shares being subject of options granted during the period ended 31 March 2001	Number of shares being subject of options lapsed upon resignation of grantees during the period	Number of shares being subject of options outstanding as at 31 March 2001
HK\$0.20	14 June 2001 to 13 June 2006	5,700,000	300,000	5,400,000
HK\$0.20	14 June 2002 to 13 June 2007	4,600,000	–	4,600,000
HK\$0.20	14 June 2003 to 13 June 2008	3,400,000	–	3,400,000
HK\$0.02	14 June 2002 to 13 June 2007	2,000,000	–	2,000,000
HK\$0.02	14 June 2003 to 13 June 2008	3,000,000	–	3,000,000
		<u>18,700,000</u>	<u>300,000</u>	<u>18,400,000</u>

Subsequent to the balance sheet date, 3,000,000 Pre-IPO Share Options as set out below granted to an executive director were cancelled as he resigned from the Group.

Exercise period	Exercise price	Number of shares being subject of options lapsed subsequent to 31 March 2001
14 June 2001 to 13 June 2006	HK\$0.20	800,000
14 June 2002 to 13 June 2007	HK\$0.20	800,000
14 June 2003 to 13 June 2008	HK\$0.20	800,000
14 June 2002 to 13 June 2007	HK\$0.02	200,000
14 June 2003 to 13 June 2008	HK\$0.02	400,000
		<u>3,000,000</u>

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## Notes to Financial Statements

31 March 2001

### 15. SHARE CAPITAL (Continued)

#### Share options granted to BonVision Technology (Hong Kong) Limited (“BVT-HK”)

On 21 September 2000, a development and maintenance agreement (the “BVT-HK Agreement”) was entered into between the Company, Opphunt Limited and BVT-HK in respect of the design, development and maintenance of an e-business system for a period of two years.

Pursuant to the terms of the BVT-HK Agreement, the aggregate service fee (the “BVT-HK Service Fee”) was in the amount of HK\$12,918,792. Out of the total consideration, HK\$1,291,879 was to be satisfied by the issuance and allotment of new shares of the Company (the “BVT-HK Consideration Shares”) over a designated period of time. The balance of the BVT-HK Service Fee of HK\$11,626,913 was to be satisfied in cash over a designated period of time. Further details of the proposed time of issue of the BVT-HK Consideration Shares and payment of the cash portion of the BVT-HK Service Fee are set out in the Company’s prospectus dated 5 December 2000.

In addition to the BVT-HK Service Fee, share options of the Company (the “BVT-HK Options”) were granted by the Company to BVT-HK to subscribe for an aggregate of 800,000 shares of the Company. Details of the BVT-HK Options are set out in the Company’s prospectus dated 5 December 2000. There was no change in the number of the BVT-HK Options up to the balance sheet date.

Subsequent to the balance sheet date, as detailed in note 20 to the financial statements, the Company terminated the BVT-HK Agreement (the “Termination”) in accordance with the termination clause stipulated therein, and BVT-HK agreed to the Termination. The BVT-HK Options originally granted under the BVT-HK Agreement lapsed accordingly.

## Notes to Financial Statements

31 March 2001

### 16. RESERVES

#### Group

	Share premium HK\$	Retained earnings/ (accumulated losses) HK\$	Total HK\$
At 1 April 1999	–	(1,299,914)	(1,299,914)
Net profit for the year	–	4,429,021	4,429,021
Dividends	–	(2,400,000)	(2,400,000)
	<hr/>	<hr/>	<hr/>
At 31 March 2000 and 1 April 2000	–	729,107	729,107
Shares issued as consideration for the acquisition of the entire issued share capital of LPL-BVI (note 15)	(122,000)	–	(122,000)
Arising on acquisition of subsidiaries (note 15)	2,002	–	2,002
Capitalisation issue of shares (note 15)	(12,600,000)	–	(12,600,000)
Issue of shares on listing (note 15)	28,800,000	–	28,800,000
Share issue expenses	(8,104,044)	–	(8,104,044)
Net loss for the year	–	(4,624,540)	(4,624,540)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>7,975,958</u>	<u>(3,895,433)</u>	<u>4,080,525</u>

#### Company

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
Shares issued as consideration for the acquisition of the entire issued share capital of LPL-BVI (note 15)	367,874	–	367,874
Capitalisation issue of shares (note 15)	(12,600,000)	–	(12,600,000)
Issue of shares on listing (note 15)	28,800,000	–	28,800,000
Share issue expenses	(8,104,044)	–	(8,104,044)
Net loss for the period	–	(1,674,982)	(1,674,982)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>8,463,830</u>	<u>(1,674,982)</u>	<u>6,788,848</u>

## Notes to Financial Statements

31 March 2001

### 16. RESERVES (Continued)

The share premium account of the Group includes (i) shares issued at a premium; and (ii) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation set out in note 1 to the financial statements over the nominal value of the share capital of the Company issued in exchange therefor.

The share premium account of the Company includes (i) shares issued at a premium; and (ii) the difference between the then consolidated net assets of the subsidiaries acquired pursuant to the same reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

In accordance with the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

### 17. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	2001 HK\$	2000 HK\$
Profit/(loss) from operating activities	(4,582,706)	5,029,021
Interest income	(404,286)	(19,644)
Depreciation	327,090	266,703
Increase in prepayments, deposits and other receivables	(118,797)	(56,619)
Decrease/(increase) in amount due from a director	1,205,183	(1,205,183)
Decrease in amount due from a related company	–	59,041
Increase in accruals and other payables	377,394	194,093
Decrease in amount due to a director	(52,840)	(1,587,991)
	<u>                    </u>	<u>                    </u>
Net cash inflow/(outflow) from operating activities	<u>(3,248,962)</u>	<u>2,679,421</u>

## Notes to Financial Statements

31 March 2001

### 17. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (b) Analysis of changes in financing during the years

	Share capital and share premium HK\$
At 1 April 1999	80,000
Incorporation of a new subsidiary	<u>2</u>
At 31 March 2000 and at 1 April 2000	80,002
Gross proceeds from issue of shares	32,000,000
Share issue expenses	<u>(8,104,044)</u>
At 31 March 2001	<u><u>23,975,958</u></u>

#### (c) Major non-cash transaction

The Group Reorganisation involved the acquisition of the entire issued share capital of LPL-BVI by the issue of shares of the Company, further details of which are set out in notes 1 and 15 to the financial statements.

### 18. RELATED PARTY TRANSACTIONS

The Group has the following transactions with related parties during the current and prior year:

- (i) The Group made advances to Mr Pong Wai Yan, a director of the Company, and to certain related companies, including BC 63 Limited and DB 18 Limited, in which Mr Pong Wai Yan holds a directorship and shareholdings. The advances to the related companies were unsecured, interest-free and were repaid in full during the prior year. The advance to Mr Pong Wai Yan was unsecured, interest-free and was repaid in full during the year prior to the listing of the Company's shares on the GEM of the Stock Exchange.

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## Notes to Financial Statements

31 March 2001

### 18. RELATED PARTY TRANSACTIONS (Continued)

- (ii) During the prior year, WYP Holdings, a company beneficially owned by Mr Pong Wai Yan, acquired the minority shareholdings of 29.99% in L.P. Lammas Group Limited ("L.P. Lammas Group"), from Mr. Pong Wai San, Wilson, at a cash consideration equivalent to the par value of the shares in the amount of HK\$2,999. Mr Pong Wai San, Wilson was then a director of the acquiree company. WYP Holdings subsequently disposed its interest in L.P. Lammas Group to LPL-BVI.
- (iii) During the prior year, L.P. Lammas Asia Limited, a subsidiary of the Company, disposed of certain of its long term investments, representing a 1% equity interests in an unlisted company carried at the original cost of acquisition of HK\$1, to Mr Pong Wai San, Wilson, at the same consideration.
- (iv) During the year ended 31 March 2001 and 2000, the Group had a current account balance due to Mr Pong Wai Yan. This balance was unsecured, interest-free and was fully settled during the current year prior to the listing of the Company's shares on the GEM of the Stock Exchange.
- (v) During the year, the Group entered into the BVT-HK Agreement with BVT-HK, in which Dr. Chun Hon Wai, a non-executive director of the Company, had beneficial ownership, for the BVT-HK Service Fee of HK\$12,918,792. In addition to the BVT-HK Service Fee, BVT-HK Options were granted by the Company to BVT-HK to subscribe for up to an aggregate of 800,000 shares of the Company. Further details of the BVT-HK Agreement are set out in note 15 to the financial statements.

Subsequent to the balance sheet date, as further detailed in note 20 to the financial statements, the Company terminated the BVT-HK Agreement. The BVT-HK Options lapsed accordingly and no consideration under the BVT-HK Service Fee was paid.

In addition to the BVT-HK Agreement, the Group paid development cost of approximately HK\$480,000 to BVT-HK for other modification work of the Group's e-business system which amount was expensed as incurred during the year.

## Notes to Financial Statements

31 March 2001

### 19. COMMITMENTS

- (a) Annual commitments payable in the following year under non-cancellable operating leases were as follows:

	Group	
	2001 HK\$	2000 HK\$
In respect of land and buildings expiring:		
Within one year	14,808	–
In the second to fifth years, inclusive	1,135,819	520,200
	<u>1,150,627</u>	<u>520,200</u>

- (b) As at 31 March 2001, the Group and the Company had a capital commitment to BVT-HK amounting to HK\$12,918,792. Further details of the BVT-HK Agreement are set out in note 15 to the financial statements.

Subsequent to the balance sheet date, as detailed in note 20 to the financial statements, the Company terminated the BVT-HK Agreement. As a result of the Termination, the capital commitment of HK\$12,918,792 with BVT-HK was extinguished.

### 20. SUBSEQUENT EVENT

In view of the reduced interest of corporations in investing in information technology as a platform for performing business, especially merger and acquisition transactions, the Company terminated the BVT-HK Agreement on 3 April 2001 in accordance with the termination clause stipulated therein. BVT-HK agreed to the Termination and the effective date of the Termination was 18 April 2001. Accordingly, the BVT-HK Options granted under the BVT-HK Agreement were cancelled. In addition, the directors confirmed that no BVT-HK Service Fee was paid by the Group in respect of the BVT-HK Agreement as no enhancement work on the e-business system had commenced. Further details of the Termination were set out in the Company's announcement dated 11 April 2001.

### 21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 22 June 2001.



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## *Notice of Annual General Meeting*



NOTICE IS HEREBY GIVEN that an Annual General Meeting of the members of L. P. Lammas International Limited (the "Company") will be held at 23rd Floor, Hing Wai Building, 36 Queen's Road, Central, Hong Kong on Friday, 20 July 2001 at 2:30p.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors of the Company ("the Directors") and of the auditors for the year ended 31 March 2001;
2. To re-elect Directors and to authorize the board of Directors ("the Board") to fix the Directors' remuneration;
3. To re-appoint auditors and to authorize the Board to fix their remuneration;
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**"THAT**

- (a) subject to paragraph (c) of this resolution, the exercise by the Directors of the Company during the Relevant Period (a hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue, (ii) any issue of shares upon exercise of rights of subscription or conversion attaching to any warrants of the Company or any securities which are convertible into Shares; or (iii) the grant of options under the Share Option Scheme or the exercise of any of the subscription rights attaching to any options that have been or may be granted under the Share Option Scheme; or (iv) any scrip dividend scheme or similar arrangement providing for allotment of shares in lieu of the whole or part of any dividend in accordance with the articles of association of the Company, shall not exceed the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

## Notice of Annual General Meeting

(d) for the purposes of this resolution:—

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:—

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares in the capital of the Company or an offer or issue of warrants or options or similar instruments to subscribe for shares in the capital of the Company open for a period fixed by the Directors to shareholders whose names appear on the Company’s register of members on a fixed record date in proportion to their then holdings of shares in the Company (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, or in any territory outside Hong Kong or the expense or delay that may be incurred in the determination of any such restrictions or obligations);

By Order of the Board  
Kuo Kwan  
Company Secretary

Hong Kong, 26 June 2001

*Registered office:*  
Zephyr House  
Mary Street, George Town  
Grand Cayman  
British West Indies

*Principal place of business:*  
23rd Floor, Hing Wai Building  
36 Queen’s Road  
Central  
Hong Kong

*Notes:*

- (i) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- (ii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
- (iii) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.