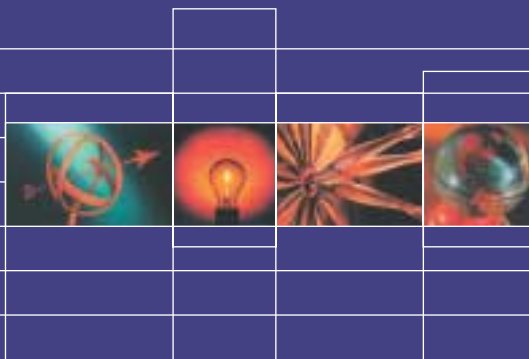




L.P. LAMMAS INTERNATIONAL LIMITED

豐裕興業國際有限公司

(incorporated in the Cayman Islands with limited liability)



Third
Quarterly Report

2001



豐裕興業國際有限公司

L. P. Lammas International Limited (the “Company”)

(incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY RESULTS REPORT (For the nine months ended 31 December 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.

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This document, 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 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 document 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 document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

We would like to announce the results of L.P. Lammas International Limited (the "Company") and its subsidiaries (collectively the "Group") for three months and nine months ended 31 December 2001.

The quarter under review marked the first anniversary of the Company since it has become publicly listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As we compare with ourselves a year ago, we started with a different business model with only a few alliances, limited business connections and our service was unnoticed by most of the public. Nowadays, our strong relationships with over 60 strategic alliances, which include CPA firms, private and commercial banking institutions, professional associations, trade federations, government agencies, property agencies, stock brokers and venture capitalists, have given us effective business channels and extensive customer pool. And through various activities such as alliances referral program, seminars, feature articles in newspaper and magazines, and TV marketing campaign, we have strengthened our professional image as the M&A specialist of the Greater China region. We believe that all the achievements will benefit us by the fruitful business opportunities and successful completion of deals.

In this quarter the Group also witnessed the PRC's long awaited admission to the WTO on 11 December 2001. Such a new epoch in economic development of the Mainland will certainly attract foreign investments to the PRC, and thus stimulating mergers and acquisitions ("M&A") activities at home and abroad, as the Ministry of Foreign Trade & Economic Cooperation and other government agencies of the PRC have echoed. Indeed, in anticipation of the business opportunities after the PRC's accession into the WTO, the Group had already set up a representative office in Beijing in July 2000 to prepare for the development in the PRC market. For this quarter, the Group had invested more resources in establishing alliances, maintaining close relationships with public and private enterprises, and organizing seminars on M&A for business leaders in collaboration with local governments in the PRC. Our efforts had already brought forth various potential projects.

FINANCIAL HIGHLIGHTS

	For the three months period ended	
	31 December 2001	30 September 2001
	HK\$	HK\$
Turnover	1,417,619	826,500
Cost of sales	(1,493,315)	(1,340,845)
Gross loss	(75,696)	(514,345)
Net loss from ordinary activities attributable to shareholders	(2,081,593)	(2,104,366)

Financial performance

For the three months under review, the Group's turnover was approximately HK\$1,418,000 representing an increase of 72% over the last quarter. As the cost of sales did not increase proportionately with the turnover, the Group's gross loss was reduced significantly by 85% to HK\$76,000. The cost of sales, which include mainly directors' remuneration and salaries, were constrained due to the Group's improvement in both efficiency and effectiveness. However, the loss attributable to shareholders were reduced only slightly to approximately HK\$2,082,000 because the marketing expenses were increased in line with the increase in marketing activities during the quarter.

Nine months ended 31 December 2001

The Group recorded a turnover of approximately HK\$2,416,000 for the nine months ended 31 December 2001, as compared with approximately HK\$3,642,000 for the same period last year. The turnover declined as the Group had undergone a major structural and operational change. However, the Group had already adapted to the new mode of conducting business, and the improving financial performance quarter over quarter in fiscal 2002 signifies that our refined business strategies started to deliver results.

Gross loss and net loss incurred for the nine months under review because the overheads and administrative expenses, such as directors' remuneration, salaries, rental charges, and legal and professional fees, increased in accordance to the Group's expansion plan implemented since the Company was listed in December 2000.

Business review

While enjoying a steady business growth in Hong Kong, the Group had accelerated its expansion plan in the PRC to grasp the M&A opportunities evolving rapidly. In view of the success of the business activities in Hong Kong, the Group followed in the PRC the similar strategies such as educating the public the application and benefit of M&A by seminars, building up strategic alliances, and introduction of referral schemes to the Mainland's government agencies and professionals. The Group's key achievements in the three months ended 31 December 2001 are summarized below.

Achievements and developments in Hong Kong

Alliances Building and Reinforcement

Hong Kong

The continued success of the Alliance Referral Program brings the Group immense business opportunities. In the course of our cooperation, many CPA firms began to appreciate the value of M&A services in their business. Some of them had engaged the Group's service in seeking buying and selling opportunities amongst CPA practices. M&A indeed provides an effective way for CPAs to expand their client base and diversify their service by acquiring or merging with the others; or to dispose the business for retirement.

In addition to the CPA firms and commercial banks, the participants in our referral program have extended to private bankers, property agencies and stockbrokers. More and more of them now play an active role in the referral program, and refer to us business deals on a regular basis. And our good relationships have proven to be mutual beneficial to both sides, as we have also successfully referred our clients to our strategic partners.

Brand building

In November 2001, the Group launched the first issue of newsletters "L. P. Lammas Talks" for distribution to the listed companies in Hong Kong, the Group's existing and potential clients, and strategic alliances which include CPA firms, commercial banks, government agencies and trade federations. The newsletters, issuing on monthly basis, enable the readers to keep abreast of the current market situation, deal stories, latest deal lists as well as the Group's movements and plans. The

newsletter is one of our initiatives for service excellency while containing the costs. The management believes that the Group's professional image as the M&A specialist is greatly enhanced as a result.

Achievements and developments in the PRC

Alliances Building and Reinforcement

The Group plans to implement the alliances referral program similar to Hong Kong in the PRC, and will start primarily with the relevant government agencies, and followed by the CPA firms and professional associations. Currently, the Group is in active discussion with a CPA association in Shenzhen and will finalize the cooperation terms in February 2002. The association has preliminarily agreed to introduce the CPA firms in Shenzhen to join the program. Besides, the Group is also co-organizing with them the M&A seminars tentatively to be held in April 2002.

Convention in November 2001, Beijing

An event sponsored by the State Information Center and co-organized by the Group, was held in November 2001 in Beijing. It attracted the attendance of over 300 domestic enterprises and government delegations. The Group also coordinated approximately 100 foreign investors, including various Hong Kong companies to participate. Based on the success of this event, many domestic enterprises had requested the Group as their business consultant. Immediately after, the Group also received the invitation of the Liao Ning Province Government and Chongqing City Government to hold M&A seminars for their local enterprises.

Non-performing Loans (NPL) International Forum, Beijing

The Group is always seeking for cooperation opportunities with the four AMCs, which are specializing in acquiring, managing and disposing of the non-performing loans (NPL) from the state-owned commercial banks. In October 2000, the Group entered into Cooperative Agreement with China Orient AMC. In November 2001, Mr. Louis Pong, the Group's Chairman, was invited by China Orient AMC to deliver a speech at the Non-performing Loans (NPL) International Forum held in Beijing, on the topic "Facilitating the Participation of Strategic Investors". The Group will continue to participate in similar events and functions, thus facilitating the developing of business opportunities.

Cooperative agreement with Liwan District Government, Guangzhou

The Group had entered into a cooperative agreement with the Liwan District Government, Guangzhou in November 2001, in which it stipulates the Group as the Government's representative in sourcing foreign investors for projects to develop the District. The management of the Group believe that the cooperation will bring immense business opportunities because Liwan District, a prosperous area of Guangzhou City, is growing and redeveloping rapidly, has private and owned enterprises across a variety of trades. The Liwan District Government, who is keen to optimize its pace of redevelopment and expansion, has already introduced to the Group over 10 attractive projects.

The "Hong Kong Week" in Chongqing

In early December 2001, the Directors of the Company joined the "Hong Kong Week" activities in Chongqing. The event, with the purpose of developing the market opportunities in Chongqing, was organized by Hong Kong Trade and Industry Department Council, Hong Kong Trade Development Council and SME Committee of the HKSAR in collaboration with the Chongqing City Government. Through various activities of the event, the Directors attending had successfully solicited a lot of business opportunities with the privately owned and state-owned enterprises based on our established presence and professionalism in M&A.

Outlook

Although the world economy is still in its stagnancy with little sign of strong recovery yet, the situation has indeed given rise to mid-market M&A services especially in this part of the world where the service is new here. The management of the Group is optimistic about the volume of market opportunities of the PRC particularly after its entry into the WTO. The Group, as an early mover in developing the market in the Mainland, has prepared itself to accommodate increasing demands in M&A services and challenges ahead. Through the active participation in the PRC market and the adherence to the above established strategies, the Group anticipates year 2002 will be a prosperous year and it will soon enjoy the fruitful outcome.

RESULTS

The Board of Directors (the "Board") of L. P. Lammas International Limited (the "Company") would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 December 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2001	2000	2001	2000
		HK\$	HK\$	HK\$	HK\$
Turnover	3	1,417,619	652,932	2,415,619	3,641,885
Cost of services provided		1,493,315	1,155,009	4,194,643	2,208,922
Gross profit/(loss)		(75,696)	(502,077)	(1,779,024)	1,432,963
Other revenue		89,055	49,199	411,620	238,600
General and administrative expenses		(2,094,952)	(583,685)	(5,697,637)	(1,734,131)
Loss from operating activities		(2,081,593)	(1,036,563)	(7,065,041)	(62,568)
Tax	4	0	0	0	0
Net loss from ordinary activities attributable to shareholders		(2,081,593)	(1,036,563)	(7,065,041)	(62,568)
Dividends	7	Nil	Nil	Nil	Nil
Accumulated loss for the period		(2,081,593)	(1,036,563)	(7,065,041)	(62,568)
Loss per share					
–Basic	5	HK(0.3 cents)	HK(0.2 cents)	HK(0.9 cents)	HK(0.01 cents)
–Diluted	5	N/A	N/A	N/A	N/A

Notes:

1. Group reorganization and basis of preparation

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

Pursuant to a group reorganization (the "Group Reorganization") to rationalize 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.

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

The consolidated results for the three months and nine months ended 31 December 2000 have been prepared using the merger basis of accounting as a result of the Group Reorganization. On this basis, the Company has been treated as the holding company of its subsidiaries for the periods presented rather than from the date of their acquisitions pursuant to the Group Reorganization. Accordingly, the consolidated results of the Group for the three months and nine months ended 31 December 2000 include the results of the Company and its subsidiaries with effective from 1 April 2000.

2. Principal accounting policies

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants.

3. Turnover

Turnover represents the net invoiced value of services provided.

4. Tax

No provision for Hong Kong profits tax has been made for the three months and nine months ended 31 December 2001 and the corresponding periods in 2000, as the Group has not generated any assessable profits arising in Hong Kong during the periods. No provision for overseas income tax has been made for three months and nine months ended 31 December 2001 and the corresponding periods in 2000 as the Group did not earn any profits in other jurisdiction during these periods.

As at 31 December 2001, there were no significant deferred tax assets and liabilities for which a recognition/provision has not been made (2000: Nil).

5. Loss per share

The calculation of basic loss per share for the three months and nine months ended 31 December 2001 is based on the respective losses attributable to shareholders of HK\$2,081,593 and HK\$7,065,041 and the weighted average number of 800,000,000 ordinary shares of the Company in issue during the respective periods. Diluted loss per share for the three months and nine months ended 31 December 2001 has not been shown as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for the periods.

The basic loss per share in respect of the three months and nine months ended 31 December 2000 is based on the respective net loss from ordinary activities attributable to shareholders of HK\$1,036,563 and HK\$62,568 and the weighted average number of 669,565,217 and 649,890,909 ordinary shares in issue during the respective periods. Diluted loss per share for the three months and nine months ended 31 December 2000 has not been calculated as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for the periods.

6. Reserves

There were no movements in reserves of the Group, other than retained earnings/(accumulated losses), during the nine months ended 31 December 2001.

During the nine months ended 31 December 2000, the Group had issued 160,000,000 new shares at HK\$0.20 each in December 2000, resulting in increase of approximately HK\$22 million, net of share issuance expenditure, in share premium. And capitalization of 630,000,000 shares in December 2000 reduced the share premium by HK\$12,600,000.

7. **Interim dividend**

The directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2001 (2000: Nil).

8. **Directors' interests in share capital**

At 31 December 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.

9. **Directors' right 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 authorized, at its absolute discretion, to grant options to employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

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 to and held by the Directors up to 31 December 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	
	14 June 2001 to 13 June 2006	HK\$0.20	1,200,000	
Mr. Kan Siu Lun	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	
	<hr/>			12,200,000
	<hr/> <hr/>			12,200,000

During the nine months ended 31 December 2001, the 3,000,000 Pre-IPO Share Options granted to Mr. Tsang Chiu Tak were cancelled as he resigned as a director from the Group.

In April 2001, the Company terminated the development and maintenance agreement (the "BVT-HK Agreement") entered into between the Company, Opphunt Limited and BonVision Technology (Hong Kong) Limited ("BVT-HK") in accordance with the termination clause stipulated therein and BVT-HK agreed to the termination. The share options of 800,000 shares in aggregate granted under the BVT-HK Agreement lapsed accordingly.

Save as disclosed above, during the nine months ended 31 December 2001, none of the Directors or their associates was granted options to subscribe for shares of the Company, nor had exercised such rights.

Apart from the foregoing, 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.

10. Outstanding share options

As at 31 December 2001, options to subscribe for an aggregate of 15,400,000 shares of the Company granted pursuant to the Pre-IPO Share Option Scheme were outstanding. Apart from the outstanding share options of 12,200,000 granted to the executive directors as disclosed in Note 9 above, the balance of 3,200,000 were granted to 3 senior management and 4 employees at an exercise price of HK\$0.2 per share.

11. Substantial shareholders

At 31 December 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 (<i>Note</i>)	632,400,000	79.05
Mr. Pong Wai Yan	636,400,000	79.55

Note: These share 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.

12. 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 any other conflict of interest with the Group.

13. Sponsors' interests

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

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

14. Audit committee

The Company set up an Audit Committee (the "Committee") on 29 November 2000 with written terms of reference for the purpose of reviewing and supervising the financial reporting process and internal control system of the Group. The audit committee comprises three members, Ms. Yu Yuk Ying, Vivian, Mr. Lo King Yau, Edwin and Mr. Leung Wai Man, Raymond, who are independent non-executive Directors.

15. Purchase, sale or redemptions of listed securities

From 1 April 2001 to 31 December 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 7 February, 2002