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 **2002**

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.

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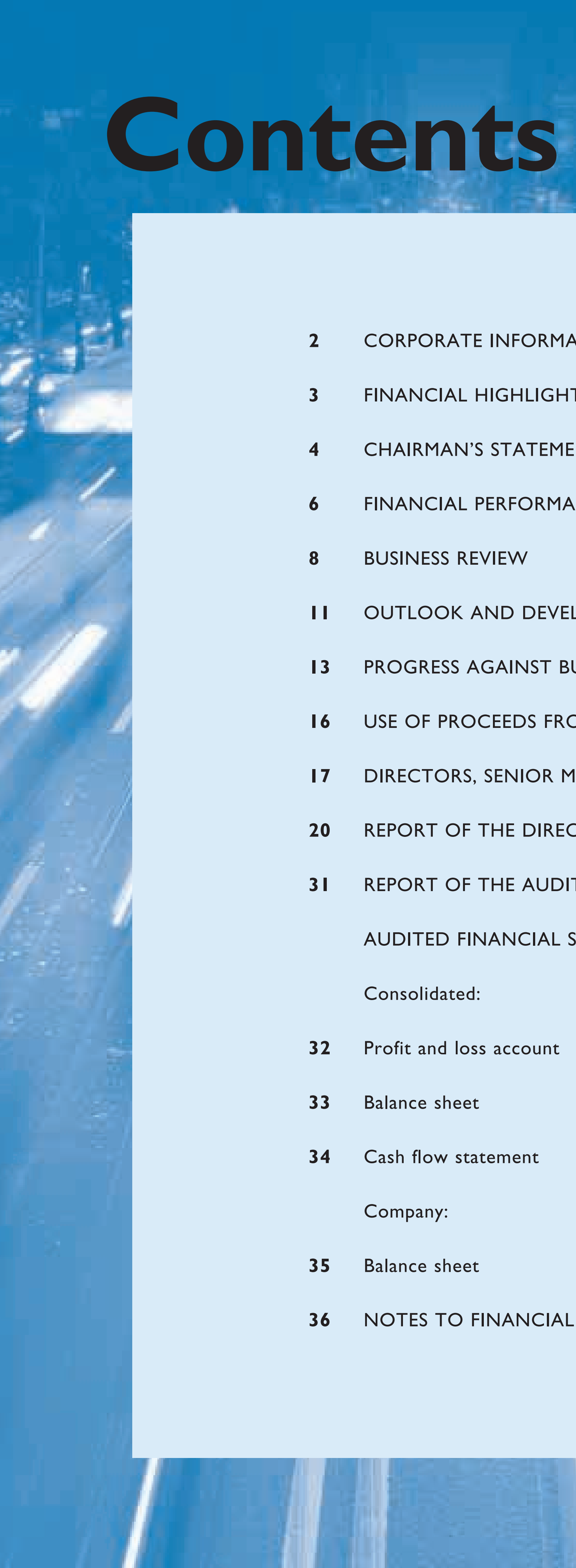
The announcement, for which the directors (the "Directors") of L. P. Lammas International Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities ("GEM Listing Rules") on the Growth Enterprise 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.



Contents

Company 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
Leung Wai Man, Raymond

Audit Committee
Yu Yuk Ying, Vivian *(Chairman)*
Lo King Yau, Edwin
Leung Wai Man, Raymond

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.

Authorised Representatives
Pong Wai Yan
Kan Siu Lun

Registered Office
Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Head Office and Principal Place Business
23rd Floor, Hing Wai Building
36 Queen's Road, Central
Hong Kong

Website of the Company
www.lplammas.com

Sponsor
Tai Fook Capital Limited

Auditors
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

Stock Code
8029

Financial Highlights

- The Group recorded a turnover of HK$2,925,619 for the year ended 31st March, 2002
- Gross loss was HK$2,957,569 for the year ended 31st March, 2002
- Loss attributable to shareholders was HK$10,512,530 for the year ended 31st March, 2002
- The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2002
- As at 31st March, 2002, the Group had cash on hand and in banks amounting to HK$10,161,855

Chairman's Statement

2001 was a very difficult year for the Group, as there were many challenges the Group had to overcome. The performance of the Asian economy was adversely impacted due to the economic downturn in the United States. The US economy began deteriorating in late 2000, when political uncertainties, caused by the confusion in presidential election, led to a sluggish economy. The unclear future made the US market experience shrinkage for the whole of 2001, while the 9-11 tragedy worked to exacerbate the situation. In addition, the Group decided earlier on in the year to develop a sturdy business foundation for future business growth in exchange for near term profitability, including the review, development, pilot and refinement of business strategies. Needless to say, our financial performance was adversely affected by the culmination of such events. Hence, the results we have achieved in fiscal 2002 are less than optimistic.

The Hong Kong market was extremely vulnerable to the economic downturn experienced by the US, due to its dependence on the US market; business activities in the Hong Kong Mergers and Acquisitions ("M&A") market slowed down as both investors and sellers were unclear about the future direction of the market. Moreover, uncertainties in the global environment cast a sense of hesitation amongst buyers and sellers before they enter into M&A transactions, and thus would unnecessarily prolong deal cycles. It is in these adverse market conditions, that M&A is more important than ever as an efficient means for businesses to grow and expand, as well as to enhance competitiveness. However, the M&A market for small- and medium-sized enterprises ("SMEs") in Hong Kong and the PRC, which is our market focus, is only at its infancy. Nevertheless, we firmly believe the momentum of M&A services for SMEs in the Greater China region is rapidly increasing; yet the demand for this middle M&A market is far from being satisfied due to the lack of specialists such as ourselves.

As a result, we are devoting our efforts to strengthening our business foundation to ensure we are in a strong position to capture opportunities when the time is propitious and the market is better developed. Internally, continuous improvements in our operational structure, including increasing the effectiveness of our workflows & procedures, providing more efficient communication means between departments and developing our On-line Management System, etc., ensure we are offering quality services to our customers. Externally, significant endeavors are made to establish strong presences in the Hong Kong and PRC M&A markets and to educate the public regarding the rationale and application of M&A in corporate development. We are also continuing the build up of our client base to secure a stable source of income for the Group. In this respect, we have successfully established and will continue to establish alliances with professional bodies, trade federations and SME communities, commercial and private banks, governmental bodies, etc. in Hong Kong and the PRC, to increase the awareness of M&A for corporate development and how we may assist those in need.

Furthermore, to counter the worsening economy in Hong Kong and to coordinate with our efforts to strengthen our business foundation, we have given up many intended investment plans including, but not limited to, the establishment of a representative office in London or other overseas countries and the implementation of the franchise system as stipulated in our prospectus dated 5th December, 2000. With these adjustments, our focus remains in Hong Kong and the PRC, where we foresee rapid growth in M&A activities, especially in light of China's accession into the WTO. To fully benefit from the foreseeable surge

Chairman's Statement

in M&A activities, as well as to compliment the cost effectiveness of our operations, we have plans to establish joint ventures in the Mainland China to enhance our development. As a result, we have devoted our efforts to strengthening our business foundation to ensure we are in a strong position to capture opportunities when the time is propitious and the market is better developed.

On behalf of the Group, I would like to take this opportunity to extend our gratitude to our clients and shareholders for their continuous support and to our staff for their dedication and contribution in the past year.

Pong Wai Yan
Chairman

Hong Kong
25th June, 2002

Financial Performance

Turnover for the year ended 31st March, 2002 amounted to HK$2,925,619 as compared to HK$3,786,885 for the year ended 31st March, 2001; representing a decrease of 23%. The reduction in turnover was, basically, due to two factors: the Group's decision to develop a sturdy business foundation for future business growth in exchange for near term profitability; and economic uncertainties leading to the current skeptical and, temporarily, contracted market.

Soon after listing on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"), the Group – after making reference to US's common practices – deliberately underwent a major structural and operational change. The Group experienced a transitional phase during the adaptation of the new mode of conducting business. It invested significant resources to review, develop, pilot and refine business strategies; thus, adversely affecting its turnover temporarily. However, the Group's financial performance showed improvement in the two successive quarters ended 30th September, 2001 and 31st December, 2001; indicating the Group's efforts were beginning to deliver positive results.

The economic slowdown also affected the Group's turnover in the reporting year. The sluggish economy during the first and second quarters ended 30th June, 2001 and 30th September, 2001 put off investors and sellers from buying and selling businesses. The decrease of the Group's turnover in the fourth quarter ended 31st March, 2002 as compared to the preceding quarter was due to the worsening market conditions after the 9-11 incident, which further weakened customers' attempts and desires to transact. Most overseas investors, especially from the United States, suspended their investment plans in the Greater China Region as a result of the tragic events. The cycle of our M&A deals prolonged as people were more cautious in making their decisions. The unexpected delay in the completion of certain deals deferred the time for recognition of revenue. Moreover, the deflation also caused constriction of the Group's turnover since it is commission based, and hence, impaired the results for the three months ended 31st March, 2002.

A loss of HK$10,512,530 was recorded for the year ended 31st March, 2002 as compared to the loss of HK$4,624,540 for the year ended 31st March, 2001. In addition to the decrease in turnover, additional loss was due to the significant increase in costs of sales and general and administrative expenses after the Group was listed on GEM in December 2000 and the Group's expansion plans that were implemented in February 2001. There were significant increases in professional fees, such as sponsorship fees and registrar fees, and overheads, such as rental and management expenses, overseas traveling, salaries and directors' remuneration.

Nevertheless, the Directors considered the unsatisfactory result in the reporting period as only temporary; the Group's efforts will soon lead to a fruitful outcome. As reflected in the transactions and mandates the Group has entered into, we are capable of servicing clients of various sizes, industry nature and location. Along with the gradual recovery of the economy, we have good reasons to expect much improved results in the coming financial year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st March 2002, the Group's net tangible assets amounted to HK$9,567,995 and net current assets amounted to HK$9,715,540. The Group had HK$10,161,855 cash on hand, which declined from HK$20,040,314 in the previous year primarily due to the current year loss position. The Group does not have any borrowings except for a loan advance of HK$963,752 from an executive director. The Group had neither any outstanding secured borrowing nor created any mortgage or charge.

Financial Performance

GEARING RATIO

The Group's gearing ratio, which was derived from the total borrowings to shareholders' funds, increase to 10% from 0% in the previous year.

SIGNIFICANT INVESTMENT

During the year under review, there was no significant investment held by the Group.

ACQUISITION OR DISPOSAL

The Group has no material acquisition or disposal of any subsidiary and/or affiliated company during the reporting period and the corresponding period last year.

FOREIGN EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 31st March 2002, the Group had no significant exposures under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31st March 2002.

EMPLOYEE INFORMATION

As at 31st March 2002, the Group employed 23 full time staff (2001: 17). Staff costs, excluding directors' emoluments were HK$3,418,615 for the year under review (2001: HK$2,120,964). The Group's remuneration policy is basically determined by the performance of individual employees. Staff benefits, including medical coverage and mandatory provident funds are also provided to employees. The Group has also adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares in the Company.

Business Review

In order to maintain its competitive advantages against other players in the Middle M&A market, the Group's main focus in the reporting period was to establish its reputation and presence in the market, and to create public awareness of the Group's services. The Group also placed much emphasis on networking and collaborating with its business contacts, including professional firms and other financial services providers in Hong Kong and the PRC, to enhance its profile. Although the Group scaled down certain business activities with high investment costs due to unfavorable market conditions, more economical business strategies were formulated to ascertain the growth and development of the Group's business. The following summarizes the Group's key achievements in the year ended 31st March, 2002.

Improvement of Operational Efficiency

With aims to sustain continuous improvements in the effectiveness and efficiency of the deal process, the Group began reforms of its operational structure during the end of the last financial year. The Group's structure for M&A transactions was redefined into two different sections: Business Advisory and M&A Servicing. In the fourth quarter of the current financial year, an in-house research division was established to complement the Group's core business. The research division is responsible for conducting research activities and market surveys on economic statistics and trends, and specific industries. The information enables the Group and its customers to keep abreast of current market situations. The Directors believed the in-house research division provided the Group with a systematic way of sourcing and accumulating business opportunities, and thus, facilitating an influx of deals to the Group.

Alliances Building and Reinforcement

One of the Group's core business strategies is to enhance its relations with existing alliances and to continually forge new ones. These strategic relationships allow access to a wide range of market information and business opportunities. The Group cooperates with alliances via two business activities: the business referral program and co-organization of promotional activities, mainly in the form of seminars.

The Group began its business referral program with CPA firms early this year. The program was well received by CPAs, and through this program, the Group enjoyed a broadened client base. The alliances, in return, benefited from the business referred by the Group. The program has now been extended to commercial and private banks, property agencies and stockbrokers. During the year under review, a reasonable number of the mandates, entered into by the Group, were referred by alliances, where the Group had already successfully received fees from half of those mandates.

Business Review

Seminars

In order to develop more business for the Group and to market our services, the Group, with the Hong Kong Productivity Council, piloted its M&A seminar for business owners in May 2001. Though it was just the initial attempt, the Group received very positive responses for the event. Under such encouragement, the Group continued to organize or co-organize a number of seminars with our alliances. In fact, conducting seminars has become one of the Group's most productive means in attracting clients. As a result of the publicity garnered by the seminars, the management of the Group became popular speakers for seminars, luncheons or other gatherings related to Middle market M&A. Such exposures not only brought new clients for the Group, but also educated and aroused the interests of the public for the application of M&A to SMEs, as well as greatly enhancing the Group's image as the leading M&A specialists.

Throughout the year, the Group organized or co-organized 33 seminars, of which 25 were held in Hong Kong and 8 were held in the Mainland.

Brand building

One of the Group's main objectives is to promote public awareness and increase the recognition of the M&A profession in the Greater China Region. During the reporting period, the Group undertook active marketing campaigns to promote its business. The Group's first series of TV commercials were shown in September 2001. To leverage the effects, the Group also advertised its services through newspapers and magazines. In November 2001, the Group published the first issue of its newsletter in order to provide our target readers, including the Group's alliances, potential investors and HK listed companies, with current market information, the Group's current activities and the finest deals on hand. Many readers welcomed the newsletters and currently the Group distributes approximately 5,000 copies per month.

Building the Relationship with IBBA Greater China Chapter

The objective of IBBA Greater China Chapter ("IBBA GCC"), established in January 2002, is to promote M&A and to introduce prevailing practices from the US to the Greater China Region. The Group also intends to build on its relationship with IBBA International to develop new business relations with intermediaries and investors overseas. The Directors consider the time is favorable, as PRC's accession into WTO will stimulate an enormous volume of cross-border M&A activities. The IBBA GCC is actively recruiting members, mainly investment bankers, accountants, lawyers and individual business brokers. IBBA GCC is also the convener of a government working group called "Equity Financing", which is a sub-committee under the Government of HKSAR and was set up to promote equity financing in Hong Kong. The Group will benefit from a strong relationship with IBBA GCC.

Business Review

Achievements and Developments in the PRC

With the anticipation of a high increase of opportunities to emerge stemming from PRC's accession into the WTO, the Group was very active in the PRC throughout the year. The Group implemented the alliances referral program, similar to the program enacted in Hong Kong, and entered into cooperative agreements with government agencies, CPA associations and other corporations in the PRC in order to expand its business coverage and connections in the Region. The relations enable the Group to gain access to extensive seller sources.

The Group's established brand name and reputation attracted invitations by many enterprises and governmental bodies from the PRC for presentations on M&A. Throughout the year, the Group hosted or participated in seminars or events in many different cities & provinces, such as Beijing, Guilin, Guangdong, Chongqing, Wuhan, Heilung-Jiang and Kunming. Through these seminars and presentations local enterprise owners are introduced to the importance of cross border M&A to the future growth of their businesses, as representatives from the Group shared the Group's past experiences with the attendees. They were enlightened by various current practices of M&A introduced by the Group. The Group's representatives also had thorough discussions with many government leaders and representatives of state-owned and private enterprises. Some suggested entering into cooperative agreement with the Group to jointly promote M&A in these regions. Many of these events were also highlighted by the local media, further enhancing the Group's image, as the leading M&A advisory expert within the region.

Further the success of the seminars, different government departments and associations would then seek to cooperate with us to introduce foreign investment into their provinces. A good example would be an Investment & Trade Forum, organized exclusively for the Group by the Guilin Foreign Economic & Trade Commission, allowing another opportunity for the Group to meet with many potential clients.

In addition, a representative from the Group's Beijing office was invited to be the speaker at a seminar held by the Greater China Accountants Alliance (GCCA) on 7th-9th January in Shanghai. The attendees of the event included CPAs from Hong Kong and the PRC, Institutes of CPAs of Beijing, Shanghai and Chongqing, asset appraisal firms, capital management companies, investment banks, etc. The Group's representative delivered a speech on the participation of CPAs in the M&A transactions, and how their professionalism can be utilized to facilitate the process. The event was very successful and many attendees showed their interest to cooperate with the Group to capture the many opportunities in the rapidly growing PRC market.

In view of the success in these activities, the Group will continue to provide and offer more seminars and presentations in various cities and provinces within the PRC, in cooperation with the local government departments, associations and enterprises. It is hoped, that through these activities, the services provided by the Group will be widespread over different regions within the PRC, and concurrently, allow the Group to recruit and assist new clients with their equity financing needs.

Outlook and Development

Currently, although the market has started to turn around, the Group still considers the present still inappropriate to be involved in any high-risk investment activities. In the coming quarter, the Group will continue to emphasize on revenue generation, in addition to building and strengthening its business foundation. The Group has formulated solid plans for execution in order to accomplish these goals. In conjunction with the said purposes, more effort will be allotted to streamlining the Group's operation to further improve the operational efficiency and to restrain operating costs. In light of the rapidly growing PRC market, the Group will also develop more channels to accelerate our penetration into the Region.

Enterprise Exchange Market Place

The Group intends to establish a platform for the exchange of the assets and equity of enterprises and plans to set up rules and regulations to govern the selling and buying of businesses via this platform. Once businesses are approved for registration with the platform, their business information will be kept on the marketplace and will only be released to eligible buyers or sellers. The On-line Management System developed by the Group will support functions of the platform by systematizing business information and criteria for information release. With planned promotional activities, the Directors believe the platform, once introduced and known to the public, will improve operational efficiency through shortening the transaction initiation and deal workflow processes. These services, which are more comprehensive, will enhance the Group's leading status amongst the market players in the Middle M&A Market. In addition, registration fees from sellers will also generate a regular source of income for the Group.

On-line Management System

The Group plans to develop an On-line Management System ("OLMS") to manage transaction history, clients' records and staff accounts. The system will improve the existing workflow, computerize documentation, and enhance communication and interactions between staff, alliances and clients. Upon its successful delivery, OLMS will be an important system for supporting the Group's daily business activities. It will result in costs reduction and service quality improvements. The system will not only provide the Group with a valuable database, but also a system of practices, which preserve and enhance the intrinsic values of the Group. OLMS is targeted to be ready for service in July 2002.

Cost Rationalisation

Currently, the Group is financially responsible for the rental charges of two office premises in Central, Hong Kong. The Directors consider managing the business in two separate areas is less effective and efficient. In this regard, the Group will relocate its headquarters in order to merge the two office premises into one. This move will improve the Group's daily operations as well as reduce operational costs.

Outlook and Development

Research

In addition to the in-house research division, the Group intends to cooperate with external institutions to conduct research activities and market surveys on economic statistics and trends of specific industries in accordance with the needs of the Group. The potential cooperation offer access to a wider range of market information and provide the Group with technical support for conducting market research and surveys, particularly for industries that are not easily accessible. This arrangement will further strengthen the knowledge base and facilitate the deal processes of the Group.

Establishment of Joint Ventures

With the increase of business opportunities brought about by the gradual opening of the PRC market, the Directors are searching for opportunities to recruit a network of local expertise and referral sources. Towards this end, the Group is in close discussions with two private entities, which have unique capabilities and buyer and seller sources that are complementary to the Group, to set up joint ventures in Beijing and Shenzhen. Through the cooperation, the Group will benefit by increased regional coverage of its clientele at minimal operational cost.

Against the current gloomy market sentiment, the Directors believe the anticipated growth of the Group's business will soon be materialised. It is not only because the Group is well equipped, but also because of the enormous demand for the Group's M&A services by SMEs in Hong Kong and the PRC. The Directors consider there are increasing business opportunities due to the influx of investment funds into Asia from foreign investors, as western capital markets become less attractive. Moreover, both the HKSAR and PRC governments are keen to encourage and promote the development of SMEs in order to enhance their long-term competitiveness. In recent years, the Hong Kong SAR Government has launched initiatives and provided various support programs through the Small and Medium Enterprises Office of the Trade and Industry Department. Nevertheless, it is also a known policy of the PRC government to encourage and promote the development of SMEs. Based on experiences of Western countries, M&A is one of the most viable and necessary growth strategies for SMEs of the region. As the leading M&A services provider for SMEs, the Group is well positioned to capture the opportunities ahead.

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 the Company's prospectus dated 5th December, 2000 (the "Prospectus").

From 1st October, 2001 to 31st March, 2002

Business objectives as set out in the Prospectus:	Actual business progress to date:
(1) Enhanced capability and capacity	
Increase the number of business consultants to approximately 35	Due to the economic downturn, the Group did not recruit any additional staff during the period to control overhead costs.
Increase the number of staff in the valuation and research team to approximately 11	The Group established a research team with 2 members. Fewer staff was recruited, as the Group plans to outsource research functions to institutions to reduce overhead costs.
(2) Implement and develop artificial intelligence ("AI") and other advance technologies	
Introduce knowledge management ("KM") features to Opphunt.com Offer multiple language search capabilities	In April 2001, the Group halted the arrangement of enhancing Opphunt.com, implementation of AI and other advanced technologies, as the Group considered it would not have been able to benefit greatly from such IT investments at the moment. To compensate for the lack of those activities, the Group is in the course to develop an On-line Management System ("OLMS") to support the Group's conventional business and enhance service quality. The listing proceeds of approximately HK$12.9 million originally assigned for the enhancement of Opphunt.com has been partly used for financing the Group's business operations; the remaining balance of the proceeds is deposited with a bank in Hong Kong.

Progress Against Business Objectives

(3)	**Establish alliances and collaborative customers in targeted sectors**	
	Form alliances with Macau Productivity and Technology Transfer and similar organisations in HK Form alliances with SME organisations, chambers of commerce and federations of industries in the Greater China Region Enter into alliance agreements with institutions in the light industrial products sector in the PRC	The Group has established alliances with professional bodies, trade federations and SME communities, commercial and private banks, and governmental bodies in Hong Kong as well as the PRC. The cost incurred was approximately HK$0.02 million.
	Form alliances with small business brokerage firms in the US	The Group has postponed business activities in US, as the investors there are more reluctant to invest due to the gloomy sentiment of the US market. The Group will review the case periodically.
(4)	**Geographical expansion and establishment of franchise/affiliate system**	
	Establish representative office in London Subject to compliance with the applicable PRC laws, implement the pilot franchise/affiliate scheme in Beijing Conduct feasibility studies on setting up a representative office in Asia (tentatively proposed to be in Taiwan)	In light of the unfavorable and uncertain global economy, the Group will postpone the plans for geographical expansion and establishment of the franchise/affiliate system

Progress Against Business Objectives

(5) Brand building

Sponsor the launch of Certified Business Intermediaries ("CBI") course in Hong Kong proposed to be organized by a tertiary institution in Hong Kong	The Group considers it is not propitious for launching the CBI course in Hong Kong for the time being. It has carried out other activities such as organising seminars as the more effective means for promoting brand awareness.
Organize regional and industry specific conferences in the PRC to facilitate the acquisition of assets derived from NPLs by US investors	The Group had co-organised presentations and seminars in provinces such as Guilin, Guangdong, Chongqing, Wuhan, Heilung-Jiang and Kunming.
Sponsor and organize conferences on business brokerage for SMEs	The Group co-organised, with various professional bodies, banks, government agencies and trade federations, a number of seminars and conferences on SMEs' M&A.
Set up information booths at industry specific conferences and trade fairs in the US to promote assets derived from non-performing loans ("NPLs") to investors	The Group will appoint a delegate to attend the annual conference for business brokers to be held in the US in June 2002.
Advertise the services of Opphunt.com to selected sectors in Hong Kong	The Group has withheld its AI development and halted the plan for advertising the services of Opphunt.com.

Use of Proceeds from The Placing

The net proceeds from the public listing were about HK$23.9 million. The proceeds have been applied in the following areas:

	Amount to be used up to 31st March, 2002 as disclosed in the Prospectus *HK$'M*	Actual amount used up to 31st March, 2002 *HK$'M*
Enhanced capability and capacity	1.80	1.19
Implement and develop AI and other advanced technologies	8.82	–
Establish alliances and collaborative customers in targeted sectors	0.15	0.07
Geographical expansion and establishment of franchise/affiliate system	2.40	0.02
Brand building	1.15	0.62
Total	14.32	1.90

Actual application of the net proceeds was lower as compared to the planned application. This is mainly due to the Company terminated the development and maintenance agreement (the "BVT-HK Agreement"), which was entered into with BonVision Technology (Hong Kong) Limited ("BVT-HK") in respect of the design, development and maintenance of an e-business system for a period of two years, on 3rd April, 2001 in accordance with the termination clause stipulated therein; and thus the Group was not required to pay the service fee of approximately HK$12.92 million to BVT-HK in respect of the BVT-HK Agreement as no enhancement work on the e-business system had commenced (the details of the termination were set out in the Company's announcement dated 11th April, 2001). Besides, the Group postpones the plans for geographical expansion and establishment of the franchise/affiliate system and hence reduced the fund applied in these areas.

Directors, Senior Management and Staff

Executive Directors

Mr. Pong Wai Yan, aged 32, is the chairman and managing directors of the Company. Mr. Pong, who founded the Group in 1993, is responsible for overseeing the management, strategic planning and development of the Group. Mr. Pong has extensive experience in equity financing, the negotiation and completion of the M&A and Restructuring transactions. Throughout his time with the Group, he has served hundreds of clients. He has worked for various international organizations in different countries and has been serving as advisors to many different corporations both in the U.S. and in Hong Kong, including Fortune 500 and listed companies. Mr. Pong has been actively involved in different public services; he is the national member of the All-China Federation of Industrial & Commerce, co-opted member and convener of Roundtable on Equity Financing Working Group of the Government of the HKSAR, vice chairman of HK General Chamber of Commerce (Membership Committee), and member of Career Advisory Board of the University of Hong Kong.

Mr. Pong holds a Bachelor's degree in Commerce, majoring in Accounting from the University of British Columbia, Canada. He received a Master of Arts Degree in International Relations from the University of Flinders, Australia.

Mr. Kan Siu Lun, aged 47, is the Chief Executive Officer of the Company. At present, Mr. Kan is responsible for the daily operations and policy matters of the Group in Hong Kong, Beijing and North America covering Business Advisory and M&A Servicing activities. Mr. Kan has over 20 years of commercial experience. Currently, he is the Senior Adviser to the Board of Directors of a public company listed in Hong Kong. Mr. Kan is a Registered Investment Adviser of SFC under the Securities Ordinance of Hong Kong. Prior to joining the Group in 2000, Mr. Kan held senior management position with the First Pacific Bank, HSBC, and Compaq Computer Limited where he served various clients of the Greater China region.

Mr. Kan also participates in public services. Since Jan. 2001, Mr. Kan serves as a Member of Chinese Temples Committee of the SAR Government. Until Dec. 2001, Mr. Kan had served as a member of the Board of Review of Inland Revenue, HKSAR for 6 years. For the three years commencing 1995, Mr. Kan served as Member of Court of Hong Kong Baptist University.

He obtained his MBA from the Henley Management College, Brunel University; U. K. Mr. Kan also holds Fellow Membership of The Chartered Institute of Management (FCIM), and Institute of Management Services (FMS) UK.

Mr. Yu Yan Chun, aged 46, 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.

Directors, Senior Management and Staff

Non-executive Directors

Dr. Chan Man Hung, aged 53, 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.

Mr. Leung Chi-kin, Stewart, aged 63, 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.

Independent Non-executive Directors

Ms Yu Yuk Ying, Vivian, aged 42, 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 41, 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.

Mr. Leung Wai Man, Raymond, aged 51, joined the Group as an independent non-executive Director in October 2001. Mr. Leung received his legal education in the UK and started his own legal practice, Raymond W. M. Leung, specializing in corporate and commercial matters in 1975. Previously, he practiced as a barrister-at-law at the Supreme Court of Hong Kong and served in various executive roles in several companies in Hong Kong.

Directors, Senior Management and Staff

Senior Management

Mr. Teng Kin Ting, aged 32, joined the Group in May 1996. Mr. Teng is mainly responsible for the Corporate Development 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 32, 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 fro 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.

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31st March, 2002.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st March, 2002 is set out in note 4 to the financial statements.

Results and dividends

The Group's loss for the year ended 31st March, 2002 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 year.

Summary financial information

The following is a summary of the consolidated/combined results for each of the four years ended 31st March, 2002 and of the assets and liabilities of the Group as at 31st March, 2000, 2001 and 2002.

	Year ended 31st March			
	2002	2001	2000	1999
	HK$	*HK$*	*HK$*	*HK$*
TURNOVER	**2,925,619**	3,786,885	8,035,363	1,053,500
PROFIT/(LOSS) BEFORE TAX	**(10,512,530)**	(4,582,706)	5,029,021	(1,335,434)
Tax	**–**	(41,834)	(600,000)	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(10,512,530)**	(4,624,540)	4,429,021	(1,335,434)

Report of the Directors

Summary financial information *(continued)*

	31st March		
	2002	2001	2000
	HK$	*HK$*	*HK$*
TOTAL ASSETS	**11,426,294**	21,437,893	4,209,932
TOTAL LIABILITIES	**1,858,299**	1,357,368	3,400,823
	9,567,995	20,080,525	809,109

Notes:

1. The summary of the combined results of the Group for the two years ended 31st March, 2000 has been extracted from the Company's prospectus dated 5th December, 2000. This summary was prepared based on the audited financial statements of the companies comprising the Group as if the structure of the Group had been in existence throughout these financial years. The results of the Group for the two years ended 31st March, 2002 are those set out on page 32 of the financial statements.

2. The only published audited consolidated/combined balance sheets for the Group that have been prepared are as at 31st March, 2000, 2001 and 2002. The summary of the assets and liabilities of the Group as at 31st March, 2000 and 2001 are extracted from the published audited financial statements for the year ended 31st March, 2001, prepared on the basis as if the structure of the Group had been in existence throughout these financial years.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 17 to the financial statements.

Reserves/(deficits)

Details of movements in the reserves/(deficits) of the Company and of the Group during the year are set out in note 18 to the financial statements.

Report of the Directors

Distributable reserves

The share premium account, in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) 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 account may also be distributed in the form of fully paid bonus shares. Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at 31st March, 2002, the Company did not have reserves available for distribution.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$61,000.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 50% of the total sales for the year and sales to the largest customer included therein amounted to 33%. Purchases from the Group's five largest suppliers accounted for 36% of the total purchases for the year and purchases from the largest supplier included therein amount to 26%.

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 had any interest in any of the five largest customers or suppliers of the Group.

Report of the Directors

Directors

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

Executive directors:

Mr. Pong Wai Yan
Mr. Kan Siu Lun
Mr. Tsang Chiu Tak *(resigned on 18th April, 2001)*
Mr. Yu Yan Chun *(appointed on 4th June, 2001)*

Non-executive directors:

Dr. Chan Man Hung
Mr. Leung Chi-Kin, Stewart
Dr. Chun Hon Wai *(resigned on 1st April, 2001)*

Independent non-executive directors:

Ms. Yu Yuk Ying, Vivian
Mr. Lo King Yau, Edwin
Mr. Leung Wai Man, Raymond *(appointed on 31st October, 2001)*

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. Mr. Lo King Yau, Edwin and Dr. Chan Man Hung 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. Leung Wai Man, Raymond 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 and Kan Siu Lun has entered into a service contract with the Company for an initial fixed term of two years commencing from 1st 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 compensation.

Report of the Directors

Directors' interests in contracts

Save as disclosed in note 20 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.

Directors' interests in share capital

At 31st March, 2002, 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:

	Number of issued ordinary shares held and nature of interests		
Name of director	**Personal**	**Corporate**	**Total**
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 interests in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' rights to acquire shares

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Report of the Directors

Share option scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include any employee (including any executive director) of the Company or any of its subsidiaries, who is in full time employment with the Company or any such subsidiary at the time when an option is granted to such employee. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The Scheme will remain in force for a period of 10 years commencing on 29th November, 2000.

The maximum number of shares in respect of which share options may be granted under the Scheme may not exceed, in nominal amount, 30% of the issued share capital of the Company. At 31st March, 2002, the number of shares issuable under share options granted under the Scheme was 15,200,000, which represented approximately 1.9% of the Company’s shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Scheme.

The offer of a grant of share options, after the listing of the Company’s share on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), may be accepted within 21 days inclusive of, and from the date of the offer. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

In respect of the 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.

In respect of the 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.

Report of the Directors

Share option scheme *(continued)*

The following Pre-IPO Share Options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options At 1st April, 2001	Cancelled during the year	At 31st March, 2002	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Executive directors						
Mr. Pong Wai Yan	1,400,000	–	1,400,000	29th November, 2000	14th June, 2001 to 13th June, 2006	0.2
	1,400,000	–	1,400,000	29th November, 2000	14th June, 2002 to 13th June, 2007	0.2
	1,000,000	–	1,000,000	29th November, 2000	14th June, 2002 to 13th June, 2007	0.02
	1,400,000	–	1,400,000	29th November, 2000	14th June, 2003 to 13th June, 2008	0.2
	1,400,000	–	1,400,000	29th November, 2000	14th June, 2003 to 13th June, 2008	0.02
	6,600,000	–	6,600,000			
Mr. Kan Siu Lun	1,200,000	–	1,200,000	29th November, 2000	14th June, 2001 to 13th June, 2006	0.2
	1,200,000	–	1,200,000	29th November, 2000	14th June, 2002 to 13th June, 2007	0.2
	800,000	–	800,000	29th November, 2000	14th June, 2002 to 13th June, 2007	0.02
	1,200,000	–	1,200,000	29th November, 2000	14th June, 2003 to 13th June, 2008	0.2
	1,200,000	–	1,200,000	29th November, 2000	14th June, 2003 to 13th June, 2008	0.02
	5,600,000	–	5,600,000			
Mr. Tsang Chiu Tak	800,000	(800,000)	–	29th November, 2000	14th June, 2001 to 13th June, 2006	0.2
(resigned on	800,000	(800,000)	–	29th November, 2000	14th June, 2002 to 13th June, 2007	0.2
18th April, 2001)	200,000	(200,000)	–	29th November, 2000	14th June, 2002 to 13th June, 2007	0.02
	800,000	(800,000)	–	29th November, 2000	14th June, 2003 to 13th June, 2008	0.2
	400,000	(400,000)	–	29th November, 2000	14th June, 2003 to 13th June, 2008	0.02
	3,000,000	(3,000,000)	–			
Mr. Yu Yan Chun	400,000	–	400,000	29th November, 2000	14th June, 2001 to 13th June, 2006	0.2
	400,000	–	400,000	29th November, 2000	14th June, 2002 to 13th June, 2007	0.2
	800,000	–	800,000			

Report of the Directors

Share option scheme *(continued)*

Name or category of participant	Number of share options At 1st April, 2001	Cancelled during the year	At 31st March, 2002	Date of grant of share options*	Exercise period of share options	Exercise price of share options**
						HK$
Senior Management						
Mr. Teng Kin Ting	400,000	–	400,000	29th November, 2000	14th June, 2001 to 13th June, 2006	0.2
	400,000	–	400,000	29th November, 2000	14th June, 2002 to 13th June, 2007	0.2
	800,000	–	800,000			
Ms. Kuo Kwan	400,000	–	400,000	29th November, 2000	14th June, 2001 to 13th June, 2006	0.2
	400,000	–	400,000	29th November, 2000	14th June, 2002 to 13th June, 2007	0.2
	800,000	–	800,000			
Other employees						
In aggregate	800,000	(200,000)	600,000	29th November, 2000	14th June, 2001 to 13th June, 2006	0.2
	800,000	(200,000)	600,000			
	18,400,000	(3,200,000)	15,200,000			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

On 21st September, 2000, a development and maintenance agreement (the "BVT-HK Agreement") was entered into between the Company, Hong Kong Enterprise Exchange Limited (formerly known as Opphunt Limited) and BonVision Technology (Hong Kong) Limited ("BVT-HK"), in which Dr. Chun Hon Wai, who resigned as a non-executive director of the Company on 1st April, 2001, has beneficial ownership.

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 5th December, 2000.

Report of the Directors

Share option scheme *(continued)*

On 3rd April, 2001, 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.

Subsequent to balance sheet date, 200,000 Pre-IPO Share Options with an exercise price of HK$0.2 each granted to an employee were cancelled upon the employee's resignation from the Group. These share options was exercisable for a period of five years from 14th June, 2001 to 13th June, 2006.

Summary details of the Company's share option scheme are also set out in note 17 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their costs. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted because the grant dates of share options were prior to the listing of the Company's shares on the GEM of the Stock Exchange on 14th December, 2000.

Substantial shareholders

At 31st March, 2002, 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, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Report of the Directors

Related party and connected transactions

Details of the significant related party and connected transactions of the Group are set out in note 20 to the financial statements.

Competition and conflict of interests

None of the directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, has 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.

Sponsor's interests

As at 31st March, 2002 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 4th 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 15th December, 2000 to 31st March, 2003.

Subsequent event

Details of the significant subsequent event of the Group are set out in note 22 to the financial statements.

Compliance with Rules 5.28 to 5.39 of rules governing the listing of securities on the GEM of the Stock Exchange (the "GEM Listing Rules")

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 14th December, 2000.

Audit committee

The Company set up an audit committee (the "Committee") on 29th November, 2000 with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises three independent non-executive directors, Ms. Yu Yuk Ying, Vivian, Mr. Lo King Yau, Edwin and Mr. Leung Wai Man, Raymond. The Group's financial statements for the year ended 31st March, 2002 have been reviewed by the Committee, who is 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.

Report of the Directors

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
25th June, 2002

Report of the Auditors

ERNST & YOUNG
安永會計師事務所

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 31st March, 2002 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
25th June, 2002

Consolidated Profit and Loss Account

Year ended 31st March, 2002

	Notes	**2002** HK$	2001 HK$
Turnover	5	**2,925,619**	3,786,885
Cost of services provided		**(5,883,188)**	(3,489,076)
Gross profit/(loss)		**(2,957,569)**	297,809
Other revenue and gain	5	**420,206**	408,789
Administrative expenses		**(7,705,391)**	(4,853,469)
Other operating expenses		**(255,026)**	(435,835)
LOSS FROM OPERATING ACTIVITIES	6	**(10,497,780)**	(4,582,706)
Finance costs	7	**(14,750)**	–
LOSS BEFORE TAX		**(10,512,530)**	(4,582,706)
Tax	10	**–**	(41,834)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11, 18	**(10,512,530)**	(4,624,540)
LOSS PER SHARE	12		
– Basic		**(HK1.3 cents)**	(HK0.7 cents)
– Diluted		**N/A**	N/A

Other than the net loss 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

31st March, 2002

	Notes	2002 HK$	2001 HK$
NON-CURRENT ASSETS			
Fixed assets	13	**816,207**	1,166,857
CURRENT ASSETS			
Accounts receivable	15	**122,000**	–
Prepayments, deposits and other receivables		**326,232**	230,722
Cash and bank balances		**10,161,855**	20,040,314
		10,610,087	20,271,036
CURRENT LIABILITIES			
Tax payable		**–**	640,311
Accruals and other payables		**894,547**	717,057
		894,547	1,357,368
NET CURRENT ASSETS		**9,715,540**	18,913,668
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,531,747**	20,080,525
NON-CURRENT LIABILITY			
Advance from a director	16	**963,752**	–
		9,567,995	20,080,525
CAPITAL AND RESERVES/(DEFICITS)			
Issued capital	17	**16,000,000**	16,000,000
Reserves/(deficits)	18	**(6,432,005)**	4,080,525
		9,567,995	20,080,525

Pong Wai Yan
Director

Kan Siu Lun
Director

Consolidated Cash Flow Statement

Year ended 31st March, 2002

	Notes	2002 HK$	2001 HK$
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	19(a)	**(10,326,301)**	(3,248,962)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**385,344**	404,286
Dividend paid		**–**	(2,400,000)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**385,344**	(1,995,714)
TAX			
Hong Kong profits tax paid		**(640,311)**	(9,843)
INVESTING ACTIVITIES			
Purchases of fixed assets		**(258,193)**	(896,132)
Proceeds from disposal of fixed assets		**3,000**	–
Acquisition of a subsidiary	19(c)	**9,000**	–
Net cash outflow from investing activities		**(246,193)**	(896,132)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		**(10,827,461)**	(6,150,651)
FINANCING ACTIVITIES	19(b)		
Advance from a director		**949,002**	–
Gross proceeds from issue of shares		**–**	32,000,000
Share issue expenses		**–**	(8,104,044)
Net cash inflow from financing activities		**949,002**	23,895,956
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(9,878,459)**	17,745,305
Cash and cash equivalents at beginning of year		**20,040,314**	2,295,009
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,161,855**	20,040,314
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**10,161,855**	20,040,314

Balance Sheet

31st March, 2002

	Notes	2002 HK$	2001 HK$
NON-CURRENT ASSETS			
Interests in subsidiaries	14	**9,576,327**	22,803,181
CURRENT LIABILITIES			
Accruals and other payables		**8,332**	14,333
		9,567,995	22,788,848
CAPITAL AND RESERVES/(DEFICITS)			
Issued capital	17	**16,000,000**	16,000,000
Reserves/(deficits)	18	**(6,432,005)**	6,788,848
		9,567,995	22,788,848

Pong Wai Yan
Director

Kan Siu Lun
Director

Notes to Financial Statements

31st March, 2002

1. CORPORATE INFORMATION

During the year, the Group was mainly engaged in the provision of business brokerage and 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.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs applicable to the Group are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustments to the financial statements and which require disclosure but no adjustment, and has had no major impact on these financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 21 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases as the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

Notes to Financial Statements

31st March, 2002

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This SSAP requires the provisions to be discounted to their present value at the balance sheet date, where the effect of discounting is material. This SSAP has had no major impact on these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstance from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. The adoption of the SSAP has not resulted in any prior year adjustments. The provision of the SSAP has been adopted in the accounting of acquisition of a subsidiary during the year.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no impact on the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

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.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. 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 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.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

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.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Notes to Financial Statements

31st March, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash equivalents

For the purpose of the consolidated cash flow statement, 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.

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.

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.

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.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1st 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Notes to Financial Statements

31st March, 2002

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the business brokerage services segment provides services in connection with middle market mergers and acquisitions.

(b) the business consultancy services segment provides services to assist clients on various business or management issues.

Geographical analysis of the Group's revenue, loss and certain assets and expenditure information is not presented as the Group's revenue and results and assets in geographical segments other than Hong Kong are less than 10% of the aggregate amount of all segments.

The following table presents revenue and loss for the Group's business segments.

Group

	Business brokerage services		Business consultancy services		Eliminations		Consolidation	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Sales to external customers	**2,715,619**	2,747,625	**210,000**	1,039,260	**–**	–	**2,925,619**	3,786,885
Segment results	**(9,225,483)**	(2,734,336)	**(713,411)**	(1,470,069)	**–**	–	**(9,938,894)**	(4,204,405)
Interest income							**385,344**	404,286
Other revenue and gain							**34,862**	4,503
Unallocated expenses							**(993,842)**	(787,090)
Loss before tax							**(10,512,530)**	(4,582,706)
Tax							**–**	(41,834)
Net loss from ordinary activities attributable to shareholders							**(10,512,530)**	(4,624,540)

4. SEGMENT INFORMATION *(continued)*

Analysis of the assets and liabilities of the business segments have not been prepared as most of the Group's assets and liabilities are unallocated. Accordingly the directors consider that such information is not meaningful or representative for the purpose of the financial statements.

5. TURNOVER, OTHER REVENUE AND GAIN

Turnover represents the net invoiced value of services provided.

An analysis of other revenue and gain is as follows:

	2002	2001
	HK$	*HK$*
Other revenue:		
Interest income	**385,344**	404,286
Others	**25,862**	4,503
	411,206	408,789
Gain:		
Negative goodwill recognised	**9,000**	–
	420,206	408,789

6. LOSS FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$	*HK$*
Cost of services provided	**5,883,188**	3,489,076
Auditors' remuneration	**338,000**	460,000
Depreciation	**452,317**	327,090
Operating lease rentals in respect of land and buildings	**1,179,504**	687,960
Pension contributions (excluding directors' remuneration *(note 8)*)	**120,510**	25,858
Staff costs (excluding directors' remuneration *(note 8)*)*	**3,418,615**	2,120,964
Provision for doubtful debts	**51,500**	435,835
Loss on disposal of fixed assets	**153,526**	–
Exchange losses, net	**31,853**	–
Negative goodwill recognised as income during the year	**(9,000)**	–
Interest income	**(385,344)**	(404,286)

* Inclusive of an amount of HK$2,537,299 (2001:HK$1,574,196) classified under cost of services provided.

Notes to Financial Statements

31st March, 2002

7. FINANCE COSTS

	Group	
	2002	2001
	HK$	*HK$*
Interest on an advance from a director	**14,750**	–

8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2002	2001
	HK$	*HK$*
Fees:		
Executive directors	**–**	–
Non-executive directors	**–**	–
Independent non-executive directors	**–**	–
Other emoluments of executive directors:		
Basic salaries, bonuses, housing benefits, other allowances and benefits in kind	**3,598,714**	1,543,332
Pension contributions	**25,000**	12,000
	3,623,714	1,555,332

There were four executive directors receiving individual emoluments of HK$2,012,000 (2001: HK$670,666), HK$1,302,000 (2001: HK$604,000), HK$155,585 (2001: HK$280,666) and HK$154,129 (2001: Nil) for the year ended 31st March, 2002.

None of the non-executive and independent non-executive directors received any fees or other reimbursements or emoluments for the year ended 31st March, 2002 (2001: Nil).

The number of directors whose remuneration fell within the following bands are as follows:

	2002	2001
	HK$	*HK$*
Nil – HK$1,000,000	**8**	9
HK$1,000,001 – HK$1,500,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–

Notes to Financial Statements

31st March, 2002

8. DIRECTORS' REMUNERATION *(continued)*

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

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

During the year, no share options were granted to the directors, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 25 to 28. During the year ended 31st March, 2001, share options to subscribe for a total of 15,200,000 shares in the Company were granted to the executive directors of the Company in respect of their services rendered to the Group. No value in respect of the share options granted has been charged to the profit and loss account.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included two (2001: three) directors, details of whose emoluments are set out in note 8 to the financial statements. The emoluments and designated band of the remaining three (2001: two) highest paid, non-director individuals during the year were as follows:

	2002	2001
	HK$	*HK$*
Basic salaries, bonuses, housing benefits, other allowances and benefits in kind	**1,256,030**	441,750
Pension contributions	**36,000**	8,000
	1,292,030	449,750

The remuneration of the three (2001: two) highest paid, non-director individuals fell within the range of nil to HK$1,000,000. These three highest paid, non-director individuals during the year received remuneration of HK$510,780 (2001: HK$235,737), HK$415,000 (2001: HK$214,013) and HK$366,250 (2001: HK$142,783).

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

During the year, no share options were granted to the highest paid, non-director individuals, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 25 to 28. During the year ended 31st March, 2001, share options to subscribe for a total of 1,600,000 share in the Company were granted to the two highest paid, non-director individuals in respect of their services rendered to the Group. No value in respect of the share options granted has been charged to the profit and loss account.

Notes to Financial Statements

31st March, 2002

10. TAX

	Group	
	2002	2001
	HK$	*HK$*
Hong Kong profits tax:		
Prior year's underprovision	–	41,834

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 (2001: Nil). 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 (2001: Nil).

11. 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 31st March, 2002 was HK$13,220,853 (2001: HK$1,674,982).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$10,512,530 (2001: HK$4,624,540) and the weighted average number of 800,000,000 (2001: 689,534,247) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31st March, 2001 and 2002 has not been shown as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for both years.

Notes to Financial Statements

31st March, 2002

13. FIXED ASSETS

Group

	Motor vehicles HK$	Computers HK$	Office equipment HK$	Furniture and fixtures HK$	Total HK$
Cost:					
At beginning of year	649,505	454,373	133,179	707,169	1,944,226
Additions	–	126,481	82,733	48,979	258,193
Disposals	–	–	–	(199,621)	(199,621)
At 31st March, 2002	**649,505**	**580,854**	**215,912**	**556,527**	**2,002,798**
Accumulated depreciation:					
At beginning of year	368,865	147,761	29,655	231,088	777,369
Provided during the year	110,121	161,589	34,878	145,729	452,317
Disposals	–	–	–	(43,095)	(43,095)
At 31st March, 2002	**478,986**	**309,350**	**64,533**	**333,722**	**1,186,591**
Net book value:					
At 31st March, 2002	**170,519**	**271,504**	**151,379**	**222,805**	**816,207**
At 31st March, 2001	280,640	306,612	103,524	476,081	1,166,857

14. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$	2001 HK$
Unlisted shares, at cost	**567,874**	567,874
Due from subsidiaries	**17,952,869**	22,235,307
	18,520,743	22,803,181
Provision for impairment	**(567,874)**	–
Provision for amounts due from subsidiaries	**(8,376,542)**	–
	9,576,327	22,803,181

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

Notes to Financial Statements

31st March, 2002

14. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
L.P. Lammas International (BVI) Limited ("LPL-BVI")	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	Dormant
LPL Group Limited (formerly known as L.P. Lammas Group Limited)	Hong Kong	HK$10,000	–	100	Investment holding
Hong Kong Enterprise Exchange Limited ("HKEEL") (formerly known as Opphunt Limited)	Hong Kong	HK$2	–	100	Dormant
L.P. Lammas Finance Limited (formerly known as L.P. Lammas Investment Limited)	Hong Kong	HK$2	–	100	Dormant
L.P. Lammas Holdings Limited ("LPLHL") (formerly known as International Business Brokers Asso. (Greater China) Limited, Tremate Trading Limited or Champ Max Industrial Limited)	Hong Kong	HK$10,000	–	100	Dormant

14. INTERESTS IN SUBSIDIARIES *(continued)*

During the year, the Group acquired the entire interest in LPLHL, in which a 37% interest was acquired from the Company's ultimate holding company and the remaining interest from independent third parties. Further details of the acquisition are included in notes 19(c) and 20(a) to the financial statements.

15. ACCOUNTS RECEIVABLE

The general credit term is seven days from the date of issue of payment invoice and the Group also offers extended credit terms to certain customers with reference to their respective financial background, reputation and credit worthiness.

An analysis of the accounts receivable is as follows:

	Group	
	2002	2001
	HK$	*HK$*
Within 90 days	**82,000**	–
Between 91 days and 180 days	**40,000**	–
	122,000	–

16. ADVANCE FROM A DIRECTOR

The advance from Mr. Pong Wai Yan ("Mr. Pong"), an executive director of the Company, is unsecured, bears interest at 6.5% per annum and is repayable on 1st July, 2003, subject to renewal.

17. SHARE CAPITAL

Shares

	2002	2001
	HK$	*HK$*
Authorised:		
6,000,000,000 ordinary shares of HK$0.02 each	**120,000,000**	120,000,000
Issued and fully paid:		
800,000,000 ordinary shares of HK$0.02 each	**16,000,000**	16,000,000

During the year, there was no movement in the Company's authorised and issued share capital.

Notes to Financial Statements

31st March, 2002

17. SHARE CAPITAL *(continued)*

Share options granted to employees of the Group

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 25 to 28.

Under the terms of the Scheme adopted by the Company on 29th 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 the 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 Scheme may not exceed, in nominal amount, 30% of the issued share capital of the Company. The Scheme will remain in force for a period of 10 years commencing on 29th November, 2000.

In respect of the 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.

During the year, 3,200,000 Pre-IPO Share Options granted to an executive director and an employee of the Group were cancelled as they resigned from the Group. The summary details of the Pre-IPO Share Options are as follows:

Exercise price per share	Exercise period	Number of shares being subject of shares options outstanding as at 1st April, 2001	Number of shares being subject of shares options lapsed upon resignation of grantees during the year	Number of shares being subject of share options outstanding as at 31st March, 2002
HK$0.20	14th June, 2001 to 13th June, 2006	5,400,000	1,000,000	4,400,000
HK$0.20	14th June, 2002 to 13th June, 2007	4,600,000	800,000	3,800,000
HK$0.20	14th June, 2003 to 13th June, 2008	3,400,000	800,000	2,600,000
HK$0.02	14th June, 2002 to 13th June, 2007	2,000,000	200,000	1,800,000
HK$0.02	14th June, 2003 to 13th June, 2008	3,000,000	400,000	2,600,000
		18,400,000	3,200,000	15,200,000

Notes to Financial Statements

31st March, 2002

17. SHARE CAPITAL *(continued)*

Share options granted to employees of the Group *(continued)*

Subsequent to the balance sheet date, 200,000 Pre-IPO Share Options with an exercise price of HK$0.2 each granted to an employee were cancelled upon the employee's resignation from the Group. These share options was exercisable for a period of five years from 14th June, 2001 to 13th June, 2006.

Share options granted to BonVision Technology (Hong Kong) Limited ("BVT-HK")

On 21st September, 2000, a development and maintenance agreement (the "BVT-HK Agreement") was entered into between the Company, HKEEL (formerly known as 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 5th 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 5th December, 2000.

On 3rd April, 2001, 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 effective date of the Termination was 18th April, 2001. Accordingly, the BVT-HK Options originally granted under the BVT-HK Agreement were cancelled.

Notes to Financial Statements

31st March, 2002

18. RESERVES/(DEFICITS)

Group

	Share premium account	Retained profits/ (accumulated losses)	Total
	HK$	*HK$*	*HK$*
At 1st April, 2000	–	729,107	729,107
Shares issued as consideration for the acquisition of the entire issued share capital of LPL-BVI	(122,000)	–	(122,000)
Arising on acquisition of subsidiaries	2,002	–	2,002
Capitalisation issue of shares	(12,600,000)	–	(12,600,000)
Issue of shares on listing	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)
At 31st March, 2001 and 1st April, 2001	7,975,958	(3,895,433)	4,080,525
Net loss for the year	–	(10,512,530)	(10,512,530)
At 31st March, 2002	**7,975,958**	**(14,407,963)**	**(6,432,005)**

Company

	Share premium account	Accumulated losses	Total
	HK$	*HK$*	*HK$*
Shares issued as consideration for the acquisition of the entire issued share capital of LPL-BVI	367,874	–	367,874
Capitalisation issue of shares	(12,600,000)	–	(12,600,000)
Issue of shares on listing	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)
At 31st March, 2001 and 1st April, 2001	8,463,830	(1,674,982)	6,788,848
Net loss for the year	–	(13,220,853)	(13,220,853)
At 31st March, 2002	**8,463,830**	**(14,895,835)**	**(6,432,005)**

Notes to Financial Statements

31st March, 2002

18. RESERVES/(DEFICITS) *(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 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 over the nominal value of the share capital of the Company issued in exchange therefor.

In accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) 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 account may also be distributed in the form of fully paid bonus shares.

19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash outflow from operating activities

	2002	2001
	HK$	*HK$*
Loss from operating activities	**(10,497,780)**	(4,582,706)
Interest income	**(385,344)**	(404,286)
Negative goodwill recognised as income during the year	**(9,000)**	–
Loss on disposal of fixed assets	**153,526**	–
Depreciation	**452,317**	327,090
Increase in accounts receivable	**(122,000)**	–
Increase in prepayments, deposits and other receivables	**(95,510)**	(118,797)
Decrease in amount due from a director	**–**	1,205,183
Increase in accruals and other payables	**177,490**	377,394
Decrease in amount due to a director	**–**	(52,840)
Net cash outflow from operating activities	**(10,326,301)**	(3,248,962)

Notes to Financial Statements

31st March, 2002

19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the years

	Issued capital and share premium account HK$	Advance from a director HK$
At 1st April, 2000	80,002	–
Gross proceeds from issue of shares	32,000,000	–
Share issue expenses	(8,104,044)	–
At 31st March, 2001 and 1st April, 2001	23,975,958	–
Cash inflow from financing activities, net	–	949,002
Interest on advance	–	14,750
At 31st March, 2002	**23,975,958**	**963,752**

(c) Acquisition of a subsidiary

	2002 **HK$**	2001 HK$
Net asset acquired:		
Cash on hand	**10,000**	–
Negative goodwill on acquisition	**(9,000)**	–
	1,000	–
Satisfied by:		
Cash	**1,000**	–

An analysis of the net cash inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2002 **HK$**	2001 HK$
Cash consideration	**(1,000)**	–
Cash on hand acquired	**10,000**	–
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**9,000**	–

Notes to Financial Statements

31st March, 2002

19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of a subsidiary *(continued)*

The subsidiary acquired during the year made no significant contribution to the Group in respect of the cash flows, turnover or contribution to the consolidated net loss from the ordinary activities attributable to the shareholders for the year.

(d) Major non-cash transaction

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation of the listing of the Company's shares on the GEM of the Stock Exchange during the year ended 31st March, 2001, the Company became the holding company of the companies comprising the Group on 29th November, 2000. This was accomplished by acquiring the entire issued share capital of LPL-BVI in consideration of and in exchange for the Company's allotted and issued share capital.

20. RELATED PARTY AND CONNECTED TRANSACTIONS

(a) On 24th August, 2001, the Group acquired 3,700 ordinary shares of LPLHL of HK$1 each, representing a 37% interest in LPLHL from WYP Holdings, the Group's ultimate holding company, at HK$0.1 per share for the total consideration of HK$370. The basis was determined between the Group and the shareholders of LPLHL.

(b) On 21st September, 2000, the Group entered into the BVT-HK Agreement with BVT-HK, in which Dr. Chun Hon Wai, an ex-director of the Company who resigned on 1st April, 2001, 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.

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 3rd April, 2001 in accordance with the termination clause stipulated therein. BVT-HK agreed to the Termination and the effective date of the Termination was 18th April, 2001. As a result, 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 11th April, 2001.

(c) During the year, Mr. Pong, an executive director and a controlling shareholder of the Company, made an advance of HK$949,002 to the Group. Details of the advance are set out in note 16 to the financial statements. During the year, interest of HK$14,750 on the advance was charged to the Group.

20. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

(d) Subsequent to the balance sheet date, Mr. Pong entered into an agreement (the "Advance Agreement") with the Group for providing an advance of HK$165,667 each month to the Group for 12 months commencing from 1st April, 2002. The advance is unsecured, bears interest at 6.5% per annum and will be repayable on 1st July, 2003, subject to renewal. Pursuant to the terms of the Advance Agreement, Mr. Pong shall be entitled to request for the repayment of the advance in whole or in part (the "Early Repayment") prior to 1st July, 2003. If requested by Mr. Pong, the Group may make the Early Repayment to Mr. Pong only if the directors of the Company are of the opinion that the Group will have adequate funds to meet its financial obligations as they fall due for the foreseeable future following the Early Repayment.

21. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements for terms ranging from one to three years.

At 31st March, 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$	*HK$*
		(Restated)
Within one year	**1,106,147**	1,150,627
In the second to fifth years, inclusive	**–**	886,458
	1,106,147	2,037,085

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee above, have been restated to accord with the current year's presentation.

As at 31st March, 2002, the Company had no significant operating lease commitments.

22. SUBSEQUENT EVENT

In April 2002, Mr. Pong entered into the Advance Agreement with the Group for providing an advance of HK$165,667 each month to the Group for 12 months commencing from 1st April, 2002, the details of which have been disclosed in note 20(d) to the financial statements.

Notes to Financial Statements

31st March, 2002

23. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of SSAP 14 (Revised) during the current year, the presentation of certain items and balances in the financial statements has been revised to comply with the new requirements. Accordingly, the comparative amounts have been revised to conform with the current year's presentation.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25th June, 2002.