



L.P. LAMMAS INTERNATIONAL LIMITED

豐裕興業國際有限公司

(incorporated in the Cayman Islands with limited liability)



First Quarterly Report **2002**



豐裕興業國際有限公司
L. P. Lammas International Limited
(the "Company")

(incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY REPORT (For the three months ended 30 June 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The Principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

Summary

- The Group recorded a turnover of approximately HK\$1,807,000 for the three months ended 30 June 2002
- Gross profit was HK\$626,000 for the three months ended 30 June 2002
- Loss attributable to shareholders was HK\$1,028,000 for the three months ended 30 June 2002
- The directors do not recommend the payment of an interim dividend for the three months ended 30 June 2002

Business review

The Board of Directors (the "Board") of L. P. Lammas International Limited (the "Company") would like to announce the unaudited results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2002.

For the three months ended 30 June 2002, the Group recorded a turnover of approximately HK\$1,807,000, representing an increase of more than nine times from HK\$171,500 in the corresponding period in 2001. The Group recorded a gross profit of HK\$626,000 in this quarter, as compared to the gross loss of HK\$1,189,000 in the first quarter in 2001. The loss attributable to shareholders for the quarter also reduced to HK\$1,028,000, a 64% reduction as compared to loss of HK\$2,879,000 for the corresponding period in 2001.

The improved financial performance reflected the success of the Group's piloted plans and strategies. During the quarter under review, the Group had continued its efforts to enhance its brand name and its service quality by regularly reviewing and repackaging its existing business brokerage services, and to enhance in-house workflow and support the Group's conventional business by developing an in-house management system and streamlining operational structure. On the other hand, besides maintaining its relations with its existing alliances, the Group also devoted significant endeavor to forge new alliances especially in the PRC to capture its rapid growth of business opportunities there.

Financial Resources and Liquidity

As at 30 June 2002, the Group had HK\$8,432,990 cash on hand, which declined from HK\$10,161,855 as at 31 March 2002 primarily due to the current period loss position. The Group does not have any borrowings except for a loan advance of approximately HK\$1,461,000 from an executive director. The Group had neither any outstanding secured borrowing nor created any mortgage or charge.

The Group achieves the following during the period:

Enterprise Exchange Market Place

The Group has started to build up a premium platform for the exchange of assets and equities of enterprises. Currently, the rules & regulations governing the exchange of such assets and equities via this platform are being laid out and await internal approval. A pilot scheme will be launched in August 2002, where a Business Alert Service will be introduced to international corporations that wish to expand their presence in the Greater China Region. This service will provide the pre-qualified investors with selective M&A and co-operational opportunities that fulfill their partnership and investment criteria recorded within the system. At the moment, the Group is in discussions with various Chambers to invite their member enterprises and Consulates to invite enterprises from their countries interested in expanding into the Greater China Region to make use of this service. It is estimated that this Market Place will be completed before 31 March 2003, and it is also expected that only minimal cost is required and thus internal source of funding will be sufficient to support this project.

On-line Management System

The Group has been developing an On-line Management System ("OLMS") to assist in the management of transactions, client records and staff information, as well as to facilitate business matching. The phase where old documentation and other useful information on 30,000 enterprises worldwide are to be integrated into the system has now been completed. The system is in the trail run period, where staff is learning to use and testing out the system. We are now starting to develop and implement the next phase, where refinements to the interface and functionality of the system are being made, as well as to further enrich the content; by introducing information on additional PRC enterprises into the system. This comprehensive information enables the Enterprise Exchange Market Place to identify the most appropriate business matches for its client-companies, mainly

PRC enterprises, through our powerful matching system. The system is expecting to improve the existing workflow, computerize documentation, and to enhance communications and interactions between staff, alliances and clients. This system will be fully implemented before 31 December 2002 and will be supported by internal source of funding as the Group has in-house expertise in implementing the system and thus minimal cost is required.

Research

In order to source and accumulate business opportunities, and hence facilitate an influx of deals to the Group, the Group has established partnership with the Chinese Industry Associations in the PRC and an Academic institution in Hong Kong to conduct research reports on different industries both in the PRC and Hong Kong. These reports will look into individual components within each industry in great detail. Information such as an Industries' major players, market positioning, market outlook, etc., is all found in the research reports.

The Group aims at promoting these industries to the public - making them aware of these industries and their potentials. This arrangement further strengthens the Group's knowledge base and facilitates the deal processes of the Group. Internal source of funding will be sufficient for this development plan as minimal cost is required; the fees incurred will become part of the cost of services of the Group.

Establishment of Joint Ventures

The accession of China into the WTO creates lower barriers to entry and a more transparent investment environment, allowing small and medium-sized foreign companies to enter or expand in China through equity financing investment opportunities. The Directors are looking for opportunities to recruit a network of local expertise and referral sources. The Group was in the progress of setting up joint ventures with two private entities, which are independent third parties, in the PRC. This co-operation will allow the Group and the private entities to explore business opportunities together through co-organised promotional activities, such as joint seminars. On the other hand, the Group will provide them with professional M&A services. As the Group's contribution to the joint ventures will be its business know-how and no investment cost is required.

Cost Rationalization

The Group has relocated its headquarters in July 2002 in order to merge the 2 office premises into one. This move has improved the Group's daily operations as well as reduced the operational costs. The development of the Online Management System will also result in cost reductions due to the improvements in efficiency.

Business Developments

The Group hosts seminars on a regular basis, whether independently or in conjunction with other organizations. We have held many seminars in the Guangzhou and Shenzhen pipeline. Some are held jointly with government bodies and some with trade federations. These seminars not only channel potential new clients to the Group, but also arouse interests and educate the public on the application of equity financing to SME businesses. In addition the Group's image as the leading M&A advisory specialists will also be enhanced.

In May 2002, the Group, in conjunction with the Shenzhen Institute of Certified Public Accountants (SZICPA), held a seminar for SZICPA members, accountants employed by PRC enterprises on mid-market M&A transactions. The seminar received overwhelming response, a total of almost 500 attendees.

In addition, the Group, in order to further develop its business and to enhance its image as the leading M&A advisory specialists, is planning for media exposure so as to match our business development directions.

Developing New Revenue Source

The Group has been successful in servicing a number of corporate investors in the past. Now, the Group is planning to extend the service to other investors as well. This will serve as a new channel of improving our business performance.

The Group plans to regularize our service for the investors in Hong Kong. For this program, we intend to focus on public companies which are prominent corporations in the industry with a good cash holding level and with an intention to expand. We will assist the companies in searching for the right partners through our extensive network in the Greater China region. Our scope of services will cover different aspects of the M&A process, from searching for potential investment targets to closing the transaction. A retainer fee will be charged, depending on the sophistication of our services needed by the companies.

Outlook

The slowdown in the global economy; particularly the economic uncertainty in the US and the collapse of giant US corporations, have dampened the enthusiasm for M&A transactions. However, M&A transactions in China is still on the rise, brought about by promising prospects, as China begins to open up its markets to foreign investment following its accession into the WTO. Furthermore, SME M&A transactions from US\$5M to US\$10M in the PRC is increasing rapidly. Statistics show that the monthly growth rate of M&A cross-border transaction values in China averaged about 8.3% in 2001, and grew to an average of 15.4% in the first quarter of 2002.

With China's accession to the WTO resulting in lower barriers to entry and a more transparent investment environment, small and medium-sized foreign companies will be provided with many investment opportunities. Foreign companies are increasingly looking for ways to gain access to the Chinese market, aiming to grow faster, to capture a larger market share and to keep pace with competitors, especially local ones. The result will be an M&A market that is larger and increasingly relevant to both foreign and domestic companies in China.

The Group has positioned its headquarter in Hong Kong where it is well-known for its middle-man function (with Hong Kong's sound legal system and financial structure, Hong Kong will act as a gateway for foreign investors to carry out acquisitions in China), especially in financial services, to capture business opportunities in the PRC.

Therefore, the Group will continue with its effort to build up relationships with professional bodies, commercial banks and various associations in order to source potential clients. In addition, the Group will also continue to forge new alliances from the PRC in order to source and build up more business opportunities.

First Quarterly Results

The unaudited consolidated results of the Group for the three months ended 30 June 2002 together with the unaudited comparative figures for the corresponding period in 2001 are as follows:

	Notes	For the three months ended 30 June	
		2002	2001
		HK\$	HK\$
Turnover	2	1,806,693	171,500
Cost of services provided		(1,180,355)	(1,360,483)
Gross profit/(loss)		626,338	(1,188,983)
Other revenue		56,658	172,505
Administrative and general expenses		(1,688,701)	(1,860,939)
Loss from operating activities		(1,005,705)	(2,877,417)
Finance costs		(22,691)	(1,663)
Loss before tax		(1,028,396)	(2,879,080)
Tax	3	–	–
Net loss from ordinary activities attributable to shareholders		(1,028,396)	(2,879,080)
Loss per share			
– Basic	4	HK\$(0.1 cents)	HK\$(0.4 cents)
– Diluted	4	N/A	N/A

Notes:

1. 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.

2. Turnover

Turnover represents the net invoiced value of services provided.

3. Tax

Hong Kong profits tax has not been provided for the three months ended 30 June 2002 as the Group did not generate any assessable profits in Hong Kong during the period (2001: Nil). No provision for overseas income tax has been made for both periods presented as the Group did not earn any assessable profits in other jurisdictions during these periods.

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).

4. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the three months ended 30 June 2002 of HK\$1,028,396 (2001: HK\$2,879,080) and the weighted average number of 800,000,000 (2001: 800,000,000) ordinary shares of the Company in issue during the period.

Diluted loss per share for the three months periods ended 30 June 2002 and 2001 has not been shown as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for both periods.

5. Reserves

There were no movements in reserves of the Group, other than retained earnings or accumulated losses, for the three months ended 30 June 2002.

6. Directors' interests in share capital

As at 30 June 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 Interest) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Number of issued ordinary shares held and nature of interests		
	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.

7. Directors' right to acquire shares

Apart from as disclosed under the heading "Share Option Scheme" in Note 8, 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.

8. Share option scheme

The Company operates a share option scheme (the "Scheme") of which the eligible participants 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. The Scheme will remain in force for a period of 10 years commencing on 29 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 30 June 2002, the number of shares issuable under share options granted under the Scheme was 15,000,000, which represented approximately 1.88% 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 determined 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.

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

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2002	Cancelled during the period	At 30 June 2002			
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
	<u>6,600,000</u>	<u>-</u>	<u>6,600,000</u>			
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
	<u>5,600,000</u>	<u>-</u>	<u>5,600,000</u>			
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
	<u>800,000</u>	<u>-</u>	<u>800,000</u>			
Senior Management and other employees						
In aggregate	1,400,000	(200,000)	1,200,000	29th November 2000	14th June 2001 to 13th June 2006	0.2
	800,000	-	800,000	29th November 2000	14th June 2002 to 13th June 2007	0.2
	<u>2,200,000</u>	<u>(200,000)</u>	<u>2,000,000</u>			
	<u>15,200,000</u>	<u>(200,000)</u>	<u>15,000,000</u>			

During the three months ended 30 June 2002, the 200,000 Pre-IPO Share Options granted to an employee were cancelled as she resigned from the Group.

9. Substantial shareholders

As at 30 June 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 (<i>note</i>)	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.

10. 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.

11. Sponsor's interests

As at 30 June 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 4 December 2000 entered into between the Company and the Sponsor, the Sponsor received, and will receive fees for acting as the Company's retained sponsor for the period from 15 December 2000 to 31 March 2003.

12. Audit Committee

The Company set up an audit committee (the "Committee") on 29 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, who are independent non-executive Directors.

13. 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 period.

By order of the Board

L. P. Lammas International Limited

Pong Wai Yan

Chairman

Hong Kong, 12 August 2002