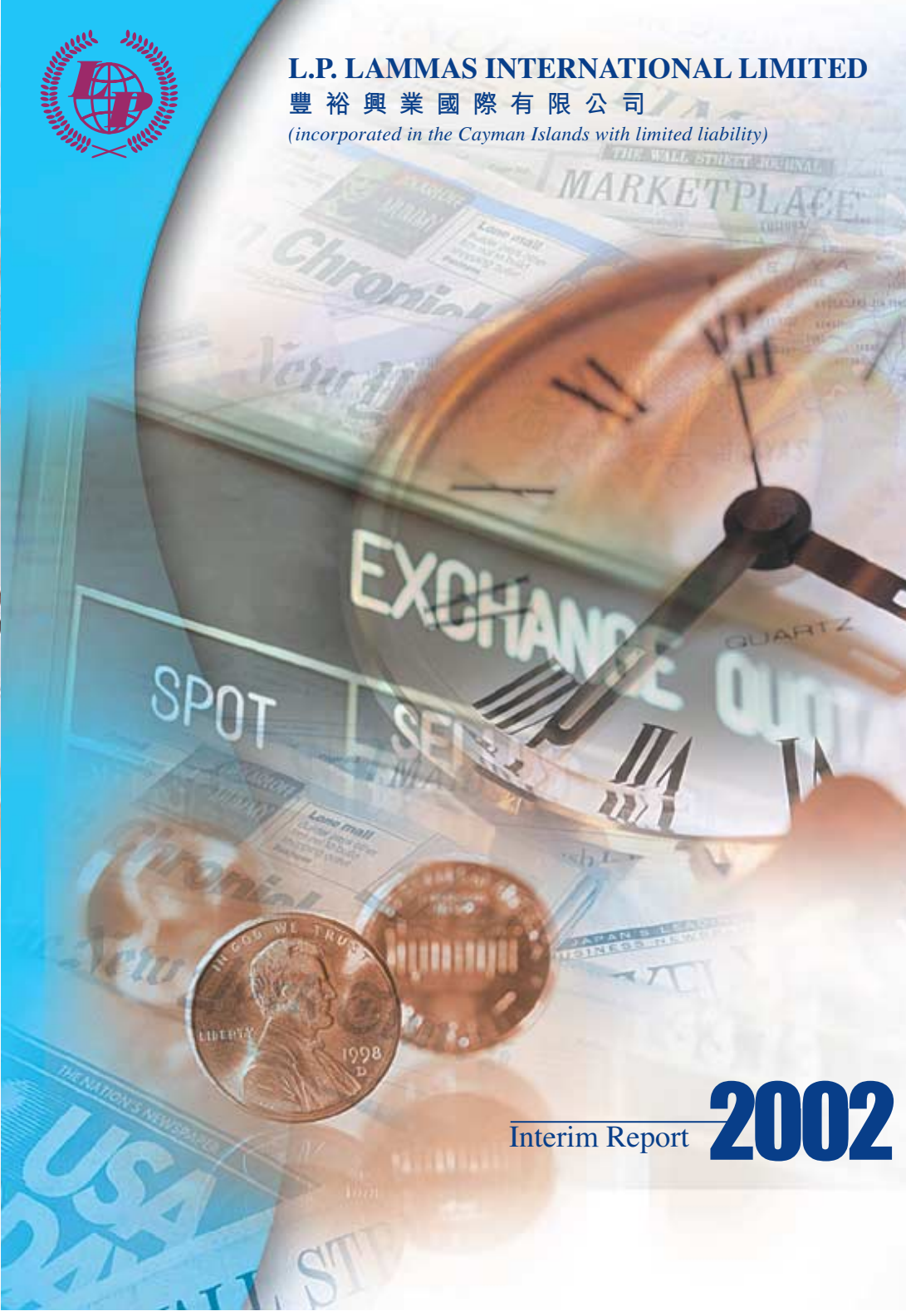




**L.P. LAMMAS INTERNATIONAL LIMITED**

**豐裕興業國際有限公司**

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



Interim 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.

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

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*This report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this 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.*

## CHAIRMAN'S STATEMENT

We would like to present the results of L. P. Lammas International Limited (the "Company") and its subsidiaries (collectively the "Group") for the three months and six months ended 30 September 2002.

The overall economy in Hong Kong has continued to progressively worsen throughout the months under review, making local investors become even more cautious when screening through investment opportunities. This adversely affected the local M&A market in Hong Kong and was one of the contributing factors that led to the adverse financial performance of the Group for the three months period under review, despite a successful and on-going cost rationalization campaign. The Group is continuously expanding its network in China and Hong Kong to service the quality Small and Medium-Sized Enterprises that are looking towards equity financing to further develop their businesses.

Since China's WTO accession, the economy in China has further prospered, maintaining an annual double digit growth rate. Many businesses worldwide that have yet to establish, or desire to expand their presence in China, are constantly on the look out for different opportunities to realize these objectives. Instead of building up green-field operations, many foreign businesses look to M&A to assist them launch their products and services in China and to ultimately capture a significant portion of the local market.

The Group, with its vast experience and comprehensive ground work, is well positioned to service the many Hong Kong and China based enterprises that will benefit from the influx of foreign investment into the Greater China Area.



## FINANCIAL HIGHLIGHTS

	For the three months period ended	
	30 September 2002 HK\$	30 June 2002 HK\$
Turnover	<b>418,000</b>	1,806,693
Cost of sales	<b>(730,505)</b>	(1,180,355)
Gross profit/(loss)	<b>(312,505)</b>	626,338
Loss attributable to shareholders	<b>(1,743,920)</b>	(1,028,396)

### Financial performance

The Group's turnover for the three months ended 30 September 2002 amounted to HK\$418,000 as compared to HK\$1,806,693 for the three months ended 30 June 2002; representing a decrease of 77%. Cost of sales for the current three months period reduced by 38% to HK\$730,505, as directors' remuneration and salaries expense, which are determined by the performance of individual employees, reduced in line with the turnover.

Despite the Group being able to control its cost of sales and operating expenses, the reduction in turnover increased the loss for the three months under review to HK\$1,743,920 from HK\$1,028,396 last quarter.


### BUSINESS REVIEW

The Group, during the period under review feels that it had successfully established its reputation and presence in the market and created public awareness of the Group's services within the Greater China Region. In addition, the Group continued to develop its network of business partners and contacts, including financial services providers, professional firms, chambers & associations and government departments, and collaborated with them on many activities. The following summarizes the Group's key achievements for the period ended 30 September 2002.

#### Enterprise Exchange Market Place

The previously launched investor Business Alert Service was well received by the various chambers and consulates, where we have already held joint seminars with them to promote this service. Several of the consulates have also agreed to ask us to meet with their trade delegations when they visit Hong Kong.

During the period under review, this market place, the "Hong Kong Enterprise Exchange", held press conferences in Hong Kong and Beijing to announce its functions and services. This news was well received by the public, where numerous enterprises have already contacted us with questions about our services, while other individuals and institutions alike, have sought to become our business partners and contacts so they could refer enterprises in need of our services to us.



In addition, we have made significant progress in discussions on cooperation with a nation-wide financial service provider located in China. Through this cooperation, the financial services provider will be actively screening for and channeling their customers that may require equity financing to us. This cooperation should have a very positive effect on the Group's financial position.

Aside from this cooperation, the HKEE is also in discussions with individuals and other institutions, within different regions of China, to direct enterprises that may require equity financing to us.

### **On-line Management System**

The On-line Management System ("OLMS") is still under development and continuous enhancement. We have just begun to carry out the next phase of development, where refinements to the interface and functionality of the system are being made, as well as enrichment of the content. Amendments have been made to the overall structure of the system to become more flexible and user-friendly.

### **Business Developments**

The Group held seminars or workshops regularly for SME business owners both in Hong Kong and in the PRC. Many of them were held in conjunction with different associations and government bodies, including the Trade and Industry Department, the Trade Development Council, Shenzhen Association of Enterprises with Foreign Investment and the All China Federation of Industry & Commerce.

The seminars were well received, and some of them were even covered by the media, increasing exposure of our operations and further establishing our position within the industry. More importantly, the SME business owners who attended the seminars found themselves enriched by our informative presentations, especially when we shared with them our experience on various aspects of equity financing, and on how to attract investors to invest into their businesses. Such information is of high relevance and importance to the business expansion and development of an SME. Many of the attendees were still interested in seeking our services to attract buyers.

### **LIQUIDITY, CHARGE ON GROUP ASSETS AND FINANCIAL RESOURCES**

As at 30 September 2002, the Group's net tangible assets amounted to HK\$6,795,680 and net current assets amounted to HK\$7,181,276. The Group had HK\$6,647,379 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 HK\$1,495,099 from an executive director. The Group had neither any outstanding secured borrowing nor created any mortgage or charge.

The gearing ratio of the Group, based on the total borrowings to shareholders' equity, was 22% as at 30 September 2002 (31 March 2002: 10%).

## **CAPITAL STRUCTURE**

The shares of the Company were listed on GEM on 14 December 2000. There has been no change in the capital structure of the Company since that date.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 September 2002.

## **SIGNIFICANT INVESTMENTS**

During the period 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 30 September 2002, the Group had no significant exposures under foreign exchange contracts, interest or currency swaps or other financial derivatives.

## **EMPLOYEE INFORMATION**

As at 30 September 2002, the Group employed 19 full time staff (31 March 2002: 23). Staff costs, excluding directors' emoluments were HK\$1,633,326 for the first six months of the year (2001: HK\$1,460,679). 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.

## **OUTLOOK**

With China's commitments, made during its accession to the WTO, to progressively provide additional M&A opportunities for foreign enterprises through a continued revision of PRC regulations, the value of Foreign Direct Investment into China is predicted to rise significantly from US\$69.19 billion in 2001 to US\$100 billion in 2005.

As the largest source of Foreign Direct Investment into China, Hong Kong should continue to act as the regional financial center in the coming few years. Many foreign enterprises that wish to increase their presence in China, do so by investing in Hong Kong companies that have already established operations in China. Hong Kong will continue to act as a gateway for foreign investors to capture business opportunities in the PRC. As one of the leading providers of Mid-Market M&A services, the Group will benefit from this role Hong Kong plays.



On the other hand, a lot of enterprises in China, especially privately owned enterprises (POEs), are growing so fast that they cannot obtain the required capital, technology know-how and/or management skills to fuel and sustain their growth. The Hong Kong Enterprise Exchange was established especially to cater to the needs of these enterprises.

Furthermore, as enterprises in China grow and mature, more and more of them will want to enter the world market. The Group could then assist with their overseas acquisitions or expansion, with Hong Kong serving as a natural logistic and financial hub.

## **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 5 December 2000 (the "Prospectus").

From 1 April 2002 to 30 September 2002

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

#### **(1) Enhanced capability and capacity**

Increase the number of business consultants

Increase the number of staff in valuation and research team

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

Introduce intelligent search agents such as softbots to search for deals through Ophunt.com

### **Actual business progress to date:**

Due to the economic downturn, the Group did not recruit any additional staff during the period to control overhead costs.

In April 2001, the Group halted the arrangement of enhancing Ophunt.com, implementation of AI and other advanced technologies as disclosed in the Group's Annual Report, 2002. 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 Ophunt.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.

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

Form alliance with small and medium-sized enterprise organizations, chambers of commerce and federation of industries in the Greater China Region

Enter into strategic alliance agreements or collaboration arrangement with institutions in the western and inland regions of the PRC

Form alliance with small business brokerage firms in London

The Group's press conference in Beijing had attracted numerous enterprises to seek to become the Group's business partners. The Group also has gained significant progress in discussions on cooperative arrangement with a nation-wide financial services provider in the PRC. The cost incurred during the period was HK\$0.014 million.

The Group has postponed business activities in London due to the unfavorable economy. The Group will review the case periodically.

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

Establish representative office in Asia (tentatively proposed to be Taiwan)

Review the pilot franchise/affiliate scheme (if implemented) in Beijing

Subject to compliance with the applicable laws, implement the pilot franchise/affiliate scheme in selected major cities in the PRC (tentatively proposed to be Shanghai or Guangzhou)

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.





## (5) Brand building

Commission tertiary institutions in Hong Kong to conduct annual survey with business owners on business/disposal plans in Hong Kong and release analysis by press conference

Organise annual regional conference with Macau Productivity and Technology Transfer Centre and similar organization in Hong Kong on business brokering

Organise regional and industry specific conferences in the PRC to facilitate the acquisition of assets derived from non-performing loans (“NPLs”) by US investors

Set up information booths at industry specific conferences and trade fairs in the US to promote assets derived from NPLs to investors

Analyse postings and matching of opportunities in Ophunt.com and release analysis by press conference

Advertise the services of Ophunt.com to selected sectors in Hong Kong

The Group had engaged the services provided by various on-line services providers as a more economic way to collect market information and data. The cost incurred was HK\$0.014 million.

The Group held seminars or workshops regularly both in Hong Kong and in the PRC, and some of which were held jointly with different associations and government bodies such as the Trade and Industry Department, the Trade Development Council, Shenzhen Association of Enterprises with Foreign Investment and the All China Federation of Industry & Commerce. Besides, the Group issued and sent newsletters to business owners and strategic alliances to keep them abreast of the most update market information. The cost incurred during the period was HK\$0.168 million.

The Group had withheld its AI development and will not rely on the services such as postings and matching of opportunities by Ophunt.com.

Actual application of the net proceeds was lower as compared to the planned application. This is mainly due to the Company terminated the implementation and development of AI and postpones the plans for geographical expansion and establishment of the franchise/affiliate system, and hence reduced the fund applied in these areas.

## 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:

	<b>Amount to be used up to 30 September 2002 as disclosed in the Prospectus</b>	<b>Actual amount used up to 30 September 2002</b>
Enhanced capability and capacity	1.90	1.90
Implement and develop AI and other advanced technologies	11.72	–
Establish alliances and collaborative customers in targeted sectors	0.20	0.08
Geographical expansion and establishment of franchise/affiliate system	3.60	0.02
Brand building	1.78	0.80
Total	<u>19.20</u>	<u>2.80</u>

## INTERIM RESULTS

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

### Unaudited condensed consolidated profit and loss account

For the three months and six months ended 30 September 2002

	Notes	Three months ended 30 September		Six months ended 30 September	
		2002 HK\$ Unaudited	2001 HK\$ Unaudited	2002 HK\$ Unaudited	2001 HK\$ Unaudited
Turnover	2	<b>418,000</b>	826,500	<b>2,224,693</b>	998,000
Cost of services provided		<b>(730,505)</b>	(1,340,845)	<b>(1,910,911)</b>	(2,701,328)
Gross profit/(loss)		<b>(312,505)</b>	(514,345)	<b>313,782</b>	(1,703,328)
Other revenue		<b>240,865</b>	150,061	<b>297,523</b>	322,565
Administrative and general expenses		<b>(1,647,813)</b>	(1,739,015)	<b>(3,327,721)</b>	(3,594,337)
Other operating expenses		<b>–</b>	–	<b>(8,742)</b>	(5,617)
Loss from operating activities	4	<b>(1,719,453)</b>	(2,103,299)	<b>(2,725,158)</b>	(4,980,717)
Finance costs		<b>(24,467)</b>	(1,067)	<b>(47,157)</b>	(2,730)
Loss before tax		<b>(1,743,920)</b>	(2,104,366)	<b>(2,772,315)</b>	(4,983,447)
Tax	5	<b>–</b>	–	<b>–</b>	–
Net loss from ordinary activities attributable to shareholders		<b><u>(1,743,920)</u></b>	<u>(2,104,366)</u>	<b><u>(2,772,315)</u></b>	<u>(4,983,447)</u>
Loss per share	6				
– Basic		<b><u>(0.2 cents)</u></b>	<u>(0.3 cents)</u>	<b><u>(0.3 cents)</u></b>	<u>(0.6 cents)</u>
– Diluted		<b><u>N/A</u></b>	<u>N/A</u>	<b><u>N/A</u></b>	<u>N/A</u>

## Unaudited condensed consolidated balance sheet

		At 30 September 2002 HK\$ Unaudited	At 31 March 2002 HK\$ Audited
	Note		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	<b>1,109,503</b>	816,207
<b>CURRENT ASSETS</b>			
Accounts receivable	8	<b>407,891</b>	122,000
Prepayments, deposits and other receivables		<b>329,015</b>	326,232
Cash and bank balances		<b>6,647,379</b>	10,161,855
		<b>7,384,285</b>	10,610,087
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		<b>203,009</b>	894,547
<b>NET CURRENT ASSETS</b>			
		<b>7,181,276</b>	9,715,540
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>8,290,779</b>	10,531,747
<b>NON-CURRENT LIABILITY</b>			
Advance from a director	9	<b>1,495,099</b>	963,752
		<b>6,795,680</b>	9,567,995
<b>CAPITAL AND DEFICITS</b>			
Issued capital		<b>16,000,000</b>	16,000,000
Deficits	10	<b>(9,204,320)</b>	(6,432,005)
		<b>6,795,680</b>	9,567,995

## Unaudited condensed consolidated statement of changes in equity

For the six months ended 30 September 2002

	Share capital HK\$	Share (accumulated premium HK\$	Retained profits/ losses) HK\$	Total HK\$
At 1 April 2000	16,000,000	–	729,107	16,729,107
Share issued as consideration for the acquisition of the entire issued share capital of L. P. Lammas International (BVI) Limited	–	(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 expense	–	(8,104,044)	–	(8,104,044)
Net loss for the year	–	–	(4,624,540)	(4,624,540)
At 31 March 2001 and 1 April 2001	16,000,000	7,975,958	(3,895,433)	20,080,525
Net loss for the year	–	–	(10,512,530)	(10,512,530)
At 31 March 2002	<u>16,000,000</u>	<u>7,975,958</u>	<u>(14,407,963)</u>	<u>9,567,995</u>
At 1 April 2002	16,000,000	7,975,958	(14,407,963)	9,567,995
Net loss for the period	–	–	(2,772,315)	(2,772,315)
At 30 September 2002	<u>16,000,000</u>	<u>7,975,958</u>	<u>(17,180,278)</u>	<u>6,795,680</u>

## Unaudited condensed consolidated cash flow statement

	Six months ended	
	30 September	
	2002	2001
	HK\$	HK\$
	Unaudited	Unaudited
Net cash outflow from operating activities	<b>(3,511,443)</b>	(4,914,755)
Net cash inflow from returns on investments and servicing of finance	<b>45,684</b>	293,019
Tax	–	(640,311)
Net cash outflow from investing activities	<b>(532,907)</b>	(128,113)
Net cash inflow/(outflow) from financing activities	<b>484,190</b>	(2,730)
Decrease in cash and cash equivalents	<b>(3,514,476)</b>	(5,392,890)
Cash and cash equivalents at the beginning of the period	<b>10,161,855</b>	20,040,314
Cash and cash equivalents at the end of the period	<b><u>6,647,379</u></b>	<b><u>14,647,424</u></b>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b><u>6,647,379</u></b>	<b><u>14,647,424</u></b>

Notes:

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and the accounting standards issued by The Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

During the period under review, the Group consistently applied the accounting policies stated in the annual report for the year ended 31 March 2002.

## 2. TURNOVER

Turnover represents the net invoiced value of services provided.

## 3. SEGMENT INFORMATION

### Business segments

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.

	Business brokerage services		Business consultancy services		Elimination		Consolidation	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	<b>Six months ended 30 September</b>							
Sales to external customers	<u>1,984,693</u>	<u>948,000</u>	<u>240,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>2,224,693</u>	<u>998,000</u>
Segment results	<u>(2,520,655)</u>	<u>(4,816,639)</u>	<u>(304,811)</u>	<u>(254,042)</u>	<u>-</u>	<u>-</u>	<u>(2,825,466)</u>	<u>(5,070,681)</u>
Interest income							45,684	293,019
Other revenue and gain							251,839	29,546
Unallocated expenses							<u>(244,372)</u>	<u>(235,331)</u>
Loss before tax							<u>(2,772,315)</u>	<u>(4,983,447)</u>
Tax							<u>-</u>	<u>-</u>
Net loss from ordinary activities attributable to shareholders							<u>(2,772,315)</u>	<u>(4,983,447)</u>

### Geographical segments

	Six months ended 30th September	
	2002 HK\$	2001 HK\$
Hong Kong	1,978,374	898,000
The People's Republic of China, other than Hong Kong (the "PRC")	246,319	100,000
Total sales to external customers	<u>2,224,693</u>	<u>998,000</u>

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.

#### 4. LOSS FROM OPERATING ACTIVITIES

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

	Three months ended 30 September		Six months ended 30 September	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Cost of services provided	730,505	1,340,845	1,910,911	2,701,328
Depreciation	123,031	96,998	230,869	229,714
Operating lease rentals in respect of land and buildings	168,765	329,332	502,509	641,870
Pension contributions (excluding directors' remuneration)	27,259	16,711	59,493	43,417
Staff costs (excluding directors' remuneration)	694,874	782,801	1,633,326	1,460,679
Loss on disposal of fixed assets	-	-	8,742	5,617
Exchange losses, net	512	28,171	1,576	28,930
Interest income	(19,065)	(120,686)	(45,684)	(293,019)

#### 5. TAX

Hong Kong profits tax has not been provided for the three months and six months ended 30 September 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 the three months and six months ended 30 September 2002 and the corresponding periods in 2001 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).



## 6. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 September 2002 is based on the respective net loss attributable to shareholders of HK\$1,743,920 and HK\$2,772,315 and the weighted average number of 800,000,000 ordinary shares of the Company in issue during the respective periods. The basic loss per share in respect of the three months and six months ended 30 September 2001 is based on the respective net loss attributable to shareholders of HK\$2,104,366 and HK\$4,983,447 and the weighted average number of 800,000,000 ordinary shares of the Company in issue during the respective periods. Diluted loss per share for the three months and six months ended 30 September 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 the periods.

## 7. FIXED ASSETS

During the six months period, the Group has acquired HK\$534,506 and disposed HK\$15,750 fixed assets.

## 8. 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:

	<b>30 September</b>	31 March
	<b>2002</b>	2002
	<b>HK\$</b>	HK\$
Within 90 days	<b>88,891</b>	82,000
Between 91 days and 180 days	<b>249,000</b>	40,000
Over 180 days	<b>70,000</b>	–
	<b><u>407,891</u></b>	<u>122,000</u>

## 9. 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 1 July 2003, subject to renewal.

## 10. RESERVES

There were no movements in reserves of the Group, other than accumulated losses, for the three months and six months ended 30 September 2002.

## 11. DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 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 <i>(Note)</i>	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.

## 12. DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" in Note 8, at no time during the period 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.

## 13. 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 September 2002, the number of shares issuable under share options granted under the Scheme was 14,800,000, which represented approximately 1.85% 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 1st April 2002	Cancelled during the period	At 30th September 2002			
<b>Executive directors</b>						
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>			

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 1st April 2002	Cancelled during the period	At 30th September 2002			
<b>Executive directors</b>						
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>			
<b>Senior Management and other employees</b>						
In aggregate	1,400,000	(400,000)	1,000,000	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>(400,000)</u>	<u>1,800,000</u>			

#### 14. SUBSTANTIAL SHAREHOLDERS

As at 30 September 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.

#### 15. 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.

## 16. BOARD PRACTICES AND PROCEDURES

Throughout the period under review, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## 17. SPONSOR'S INTERESTS

As at 30 September 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.

## 18. 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.

## 19. 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**  
**Yu Yan Chun**  
*Director*

Hong Kong, 12 November 2002