



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 2003

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 risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater 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 newspaper. 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.

Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”), the Securities and Futures Commission (the “SFC”) regulates the Company in relation to the listing of its shares on the Stock Exchange. The SFC and the Stock Exchange take no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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: (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY

L. P. Lammas International Limited

DIRECTORS

Executive Directors

Pong Wai Yan (*Chairman*)

Kan Siu Lun (*Chief Executive Officer*)

Yu Yan Chun

Non-Executive Director

Chan Man Hung

Independent Non-Executive Directors

Yu Yuk Ying, Vivian

Leung Wai Man, Raymond

AUDIT COMMITTEE

Yu Yuk Ying, Vivian (*Chairman*)

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.*

AUTHORIZED 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 OF BUSINESS

12th Floor, Club Lusitano

16 Ice House Street, Central

Hong Kong

WEBSITE OF THE COMPANY

www.lplammas.com

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

G/F., Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking

Corporation Limited

Hang Seng Bank Limited

STOCK CODE

8029

FINANCIAL HIGHLIGHTS

- The Company and its subsidiaries (the “Group”) recorded a turnover of HK\$3,480,193 for the year ended 31 March 2003
- Gross profit was HK\$774,444 for the year ended 31 March 2003
- Loss attributable to shareholders was HK\$5,843,512 for the year ended 31 March 2003
- The Directors do not recommend the payment of a final dividend for the year ended 31 March 2003
- As at 31 March 2003, the Group had cash on hand and in banks amounting to HK\$4,259,194

CHAIRMAN'S STATEMENT

The year 2003 remained a difficult one for Hong Kong. It was a year full of challenges for the Group, as well as one that proved to be very demanding. However, this was also a year that our previous work and established foundation sheltered us from the adverse impact of the market and enabled us to remain viable and competitive against future challenges. Amid the sluggish economy, the Group was able to maintain its strategic position as a premier Mergers and Acquisitions (“M&A”) advisory services provider for small- and medium-sized enterprises (SMEs”) in Hong Kong. The economy of Hong Kong is currently still greatly affected by the global slowdown, though it has showed signs of recovery in the latter half of 2002, domestic activities remained generally weak due to low consumer confidence, discouraged business sentiment and the continued weakness in asset markets. Despite the continued deflation and weak economic conditions in Hong Kong, the Group strives to continue to strengthen its existing business structure and to develop a more concrete business foundation to support its growth in the future.

Our financial performance is unquestionably affected by the dismal economic conditions and the results for the reporting year were disappointing. This was also attributed by the fact that the Group is currently still undergoing its development stage in regards to building a strong and dynamic brand name in the PRC market, increasing its exposure in the country and capturing more business opportunities, where reasonable amount of costs and effort are required to fuel its future growth and in exchange for future profitability. The distress economy has nevertheless affected market sentiments negatively, which led to sluggish and hesitant investment responses as well as prolonged deal cycles. However, the Group continued to build on its past efforts in diversifying its services geographically by exploring and reaching out to the vast PRC market, where the Group strongly believes high demand for professional M&A services exists, especially during times of economic distress when M&A is considered by a larger number of enterprises as a tool for growth and expansion.

We remain fully committed to our goal of providing sophisticated and professional M&A services to SMEs in Hong Kong and in the PRC. Continuous efforts have been exerted on improving our in-house workflow and operational structure, achieving cost effectiveness, maintaining its current network of strategic partners and alliances, and enhancing our brand name within the market. The Group will continue to devote its efforts to educate the public, in particular the SME owners, on the importance of M&A as a means for corporate development, to extend its services to cover a broader spectrum of clients, to strengthen its presence in the market by organizing a number of seminars, networking forums, industry-specific events, and to continue to establish alliances with professional bodies, intermediary organizations, trade federations, chambers of commerce, SME communities, commercial and private banks, government bodies, etc. In this respect, with its position in the market as a leading M&A specialist, the Group will be able to assist enterprises who seek M&A services for corporate development.

CHAIRMAN'S STATEMENT

As a result, we have devoted our efforts to strengthening our business foundation to ensure we stand a strong position to strive for market opportunities, to enhance our business development in the PRC and be well-prepared to take on future challenges.

Finally, I would like to extend on behalf of the Board of Directors (the "Board"), our appreciation to all of our clients and shareholders for their continuous support and to our staff for their hard work and dedication over the past year.

Pong Wai Yan

Chairman

Hong Kong

27 June 2003

FINANCIAL PERFORMANCE

The Group recorded turnover of approximately HK\$3,480,000 for the year ended 31 March 2003, representing an increase of 18.9% as compared to last year's turnover of approximately HK\$2,926,000. Approximately 89.7% and 10.3% (2002: approximately 92.8% and 7.2%) of turnover for the year ended 31 March 2003 were income generated from business brokerage services and business consultancy services respectively. As the Group had put more focus in PRC, revenue generated in PRC increased to approximately 19.4% of total revenue in the year under review (2002: approximately 7.2%).

The Group's gross profit for the year ended 31 March 2003 amounted to approximately HK\$774,000, representing a significant improvement as compared to last year's gross loss of approximately HK\$2,958,000. The improved gross profit was mainly attributable to the stringent cost control measures, which reduced significantly the cost of services provided such as directors' remuneration, salaries and entertainment. Besides, the more effective cost control also reduced the administrative and general expenses for the year ended 31 March 2003 by 17.8% to approximately HK\$6,333,000 from HK\$7,705,000 last year.

The Group's net loss attributable to shareholders for the year ended 31 March 2003 was amounted to approximately HK\$5,844,000, which was significantly reduced by 44.4% as compared to last year's net loss of approximately HK\$10,513,000.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2003, the Group's net tangible assets amounted to approximately HK\$3,724,000 and net current assets amounted to approximately HK\$3,766,000. The Group had approximately HK\$4,259,000 cash on hand and bank balances, which declined from approximately HK\$10,162,000 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 approximately HK\$1,173,000 from an executive director. The Group had neither any outstanding secured borrowing nor created any mortgage or charge.

GEARING RATIO

The Group's gearing ratio, which was derived from the total borrowings to shareholders' funds, increase to 31.5% from 10% in the previous year. The increase in gearing ratio was mainly attributable to the increase in deficits.

SIGNIFICANT INVESTMENT

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

FINANCIAL PERFORMANCE

ACQUISITION OR DISPOSAL

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group does not have any plan for material investments in the near future.

FOREIGN EXCHANGE EXPOSURE

The trading transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 March 2003.

EMPLOYEE INFORMATION

As at 31 March 2003, the Group employed 21 full time staff (2002: 23). Staff costs, excluding directors' emoluments were approximately HK\$2,816,000 for the year under review (2002: HK\$3,419,000). 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

During the reporting period, the Group's main focus was laid on establishing its brand name and presence in the Greater China market and to provide professional yet flexible M&A advisory services to SMEs with such particular needs. Emphasis was also placed by the Group on networking and collaborating with many professional contacts as well as government bodies, both in Hong Kong and in the PRC, to enlarge our coverage and presence in the market. The Group endeavors to become the provider of choice for professional M&A advisory services to SMEs in the Greater China Region. The following summarizes the Group's key achievements in the year ended 31 March 2003.

ENTERPRISE ASSET AND EQUITY MARKET PLACE

The Group has continued to build on its existing Enterprise Asset and Equity Market Place for the buying and selling of assets and equities of mainly PRC enterprises. The operation of the market place has so far been progressing smoothly since its launch in August last year. The Group is constantly updating and refining the policies and processes governing the selling and buying of businesses to support and keep up with changing market needs. Since the initial launch of the market place, a number of enterprises, professional firms and organizations have approached the Group to seek equity-financing and cooperation opportunities.

Seeing the increase in demand for professional M&A advisory services and the increasing needs of the PRC enterprises to seek foreign capital and strategic partners, the Group has already formulated plans to fully launch the market place throughout the country. However, due to the recent outbreak of Severe Acute Respiratory Symptoms ("SARS"), the Group has temporarily halted its nation-wide promotional plans, which is expected to be resumed when the PRC economy shows recovery.

During the reporting period, press conferences aiming to publicize the presence of the market place have been held in both the PRC and Hong Kong. Favourable responses have been received from these press conferences, which were widely covered by the media. These press conferences also served to collect queries and concerns from the public so that the Group may further tailor the market place to better suit their needs, achieving the most desirable results.

New operational procedures are also implemented into the platform where professional firms and individuals located in Hong Kong and in different cities and provinces in the PRC are recruited to serve the many enterprises that require professional M&A advisory services. These companies are responsible for carrying out certain services under the Group's guidance and full support. The Group is currently striving to enlarge its network of these professional firms and individuals in order to achieve its plans to penetrate the PRC market extensively. The Group believes there is vast potential for the M&A advisory services profession in the PRC, especially with the M&A needs of enterprises not being met due to the insufficiency of such services offered in the PRC. Furthermore, the Group intends to increase the public awareness of the M&A industry, allowing enterprises to seek out these M&A practitioners. It is believed that these procedures will assist in narrowing the respective demand-supply discrepancy of professional M&A advisory services in the PRC.

BUSINESS REVIEW

ON-LINE MANAGEMENT SYSTEM

The Online-Management System (“OLMS”) is designed to manage transaction history and staff accounts and facilitate internal workflow. Staff members are experimenting and familiarizing themselves on the use and application of the system to assist in their everyday work, and suggestions and comments are welcomed from them to ensure continuous improvement on the system.

New and extra functionalities are constantly being added to the current OLMS to enhance the capability of the system and to ensure it matches with the dynamic business strategies of the Group. The database that is incorporated into the system, which includes the information on a large number of PRC and Hong Kong enterprises and worldwide investors, is continuously being updated to contribute to a more comprehensive database, where more effective business matching is achieved.

The OLMS will improve the existing workflow and transaction record management, computerize documentation, facilitate day-to-day operations of the Group and enhance internal communications between staff members, alliances and clients. The OLMS is very important to the operation of the Group in the sense that it also increases the efficiency of staff members, reduces operating costs, eliminates resources redundancy, and promotes effective performance assessment by management.

COST RATIONALIZATION

Cost rationalization measures are continuously being undertaken by the Group to achieve effective and efficient use of costs and resources. Overall costs have been reduced by the Group during the reporting period due to the various stringent cost control measures that were put into place by the Group.

In particular, the merging of the two separate premises of the Group into one has greatly reduced the operational costs, as well as improved the Group’s daily operations. On the other hand, adjustments to the remuneration policy with regards to the management of the Group have also resulted in a more efficient use of financial resources of the Group. Lastly, the implementation of the OLMS and other various cost rationalization measures have also contributed to the cost reduction of the Group.

The reduction in overall costs has improved the Group’s overall performance and provided the Group with a stronger foundation for future growth and developments.

BUSINESS REVIEW

STRATEGY MAPPING

The Group continues to strive for new market opportunities and to offer professional and comprehensive M&A advisory services to SMEs in Hong Kong and in the PRC. To cope with the increasingly difficult economic environment, the Group remains keen to expand its coverage in the PRC, to increase the awareness of enterprises to M&A specialists when equity-financing needs arise. Market and industry researches and studies are constantly undertaken by the Group to accommodate the ever changing needs and expectations of our client and to refine our market position and business strategies.

BRAND NAME STRENGTHENING

Despite concerns with the state of the economy, the building of a strong brand remains one of the main objectives of the Group. During the reporting period, the Group continued its efforts to promote public awareness and increase the recognition of the Group as one of the leading specialists in offering professional M&A advisory services. The Group has also contributed to increasing the awareness of SME M&A profession as a whole within the market by organizing M&A-related seminars aiming to educate the public on the importance of M&A as a means for corporate development.

The Group will continue to integrate its brand name building efforts into its business strategies with enhancements in the M&A advisory services offered to SMEs in Hong Kong and in the PRC.

ALLIANCES AND PARTNERSHIPS BUILDING

Another major business strategy of the Group is to maintain and enhance its relations with alliances and strategic partners and at the same time to continuously establish new alliances. These strategic relationships promote connection of the Group with relevant communities, professional organizations, chambers of commerce, players in the industry and also enable access to up-to-date and first-hand market information as well as business opportunities.

OUTLOOK AND DEVELOPMENT

The year 2004 is expected to be another challenging and unpredictable one as the world awaits a recovery in the economy and the full impact of SARS remains yet to be assessed. We are currently still battling with a global recession and it is imprudent for the Group to assume speedy recovery in any particular sectors. Hong Kong is still suffering from deflation, and our unemployment rate remains high, and is further aggravated by the outbreak of SARS since March. The financial market in particular is suffering from a crisis of confidence.

The outbreak of SARS has caused unexpected damage to the economy of Hong Kong and that of the PRC in particular. A number of sectors in the market have been hit hard and investment activities have been seriously dampened. The Group, with no exception, is also adversely affected where its business development plans in the PRC has been forced to be postponed due to sluggish market responses we received from enterprises in the PRC. The profitability of the Group in the first quarter of the coming reporting year is expected to remain unflattering.

Nonetheless, when the effect of SARS is fully assessed and when the economy is recovering from the hit it took from SARS, the PRC is still seen by the Group with vast opportunities and potential. The Group will continue to look for opportunities to grow and diversify its business streams. The Group will also continue to strengthen its business foundation so as to enhance its ability in revenues generation. Solid plans have been formulated by the Group to accomplish these goals, with the penetration into the PRC market as its main focus. Apart from the aforementioned goals, the Group will continue to streamline its operation to improve efficiency and to further restrain its operating costs.

Nation-wide promotional activities for the launch of the enterprise asset and equity market place have been halted due to the outbreak of SARS. Seeing the dampened economy, the initial nation-wide launch of the market place has been scaled down to target specific provinces before the full launch is executed. Following Hong Kong and Beijing, the next targeted province is the Guangdong Province. The Group is currently in the process of obtaining the support of and forming cooperative relationships with relevant government bodies to facilitate the launch of the market place there. When the effects of SARS have subsided, the market place will be actively launched throughout the country where favorable responses are anticipated.

Despite the harsh business environment, the management remains optimistic towards the future growth of the Group. Not only is the Group well-equipped and possesses extensive experiences, it has also built a strong business foundation to support the expansion of the Group. And with the PRC's increasingly transparent regulations towards M&A transactions and its strong foreign direct investment growth, enormous demand for the Group's M&A services by enterprises in the PRC is expected. The Group will continue to strive to position itself as a comprehensive one-stop M&A service body to meet such expected high demand.

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 Prospectus.

From 1 October 2002 to 31 March 2003

Business objectives as set out in the Prospectus:	Actual business progress to date:
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(1) Enhanced capability and capacity	
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Increase the number of staff in the valuation and research team from about 15	
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Due to the economic downturn, the Group did not recruit any additional staff during the period to control overhead costs.

(2) Implement and develop artificial intelligence ("AI") and other advance technologies	
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Introduce case-based reasoning and intelligent software agents to Opphunt.com for research purposes	
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Implement online transaction engagement services including the provision of online video conference capabilities and online delivery of electronic documents e.g. mandate, business plans	
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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 has developed the 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.
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PROGRESS AGAINST BUSINESS OBJECTIVES

Business objectives as set out in the Prospectus:	Actual business progress to date:
<p>(3) Establish alliances and collaborative customers in targeted sectors</p> <p>Enter into alliance agreements with institutions in the PRC to assist their making investment abroad</p> <p>Form alliance with small business brokerage firms in Asia</p>	<p>The Group had formulated cooperation plan with professional firms, small business brokerage firms or individuals in the PRC. Under the arrangement, these PRC firms or individuals will carry out M&A services under the Group's administration and support, and the Group will receive service fees from them in return. The cost incurred during the period was HK\$0.12 million.</p>
<p>(4) Geographical expansion and establishment of franchise/affiliate system</p> <p>Review the franchise/affiliate scheme implemented in selected major cities in the PRC</p>	<p>In light of the unfavourable and uncertain global economy, the Group will postpone the plans for geographical expansion and establishment of the franchise/affiliate system</p>
<p>(5) Brand building</p> <p>Organise regional and industry specific conferences in the PRC to facilitate the acquisition of assets derived from non-performing loans ("NPLs") by US investors</p> <p>Set up information booths at industry specific conferences and trade fairs in the US to promote assets derived from NPLs to investors</p>	<p>The Group had held press conferences in the PRC and Hong Kong to introduce and promote the Group's Enterprise Asset and Equity Market Place.</p> <p>The Group had originally planned to held a forum in Beijing to introduce to the investors from Hong Kong and overseas the PRC entities and assets. However, the plan was temporary suspended due the recent outbreak of SARS.</p> <p>The cost incurred during the period was HK\$0.035 million.</p>

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 31 March 2003 as disclosed in the Prospectus <i>HK\$'M</i>	Actual amount used up to 31 March 2003 <i>HK\$'M</i>
Enhanced capability and capacity	2.00	1.97
Implement and develop AI and other advanced technologies	12.30	0
Establish alliances and collaborative customers in targeted sectors	0.25	0.21
Geographical expansion and establishment of franchise/affiliate system	3.60	0.02
Brand building	1.85	0.83
	20.00	3.03
Total	20.00	3.03

Actual application of the net proceeds was lower as compared to the planned application. This is mainly due to the Group 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.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Pong Wai Yan, aged 33, is the chairman and managing director 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 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 is currently a member of the Heilongjiang Committee of the Chinese People's Political Consultative Conference, a national member of the All-China Federation of Industrial & Commerce, the vice chairman of the Membership Committee of the Hong Kong General Chamber of Commerce. Previously he was a co-opted member of the roundtable on SME Financing of the HKSAR government and also the convenor of its Equity Financing Working Group, and a member of the 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 48, 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 the Greater China region covering Business Advisory and M&A Servicing activities. Mr. Kan has over 20 years of commercial experience. Currently, he is a non-executive Director of a public company listed in Hong Kong; he also serves as the Senior Adviser to the Board of Directors of another public company 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 January 2001, Mr. Kan serves as a Member of Chinese Temples Committee of the SAR Government. He is also the Director of The Dragon Foundation in Hong Kong. Until December 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, UK. 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 47, 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 54, joined the Group as a 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms Yu Yuk Ying, Vivian, aged 43, 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. and a Director of a public company listed in Hong Kong.

Mr. Leung Wai Man, Raymond, aged 52, 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. Mr. Leung practices as a barrister-at-law at the Supreme Court of Hong Kong. Previously, he served in various executive roles in several companies in Hong Kong.

SENIOR MANAGEMENT

Mr. Teng Kin Ting, aged 33, 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 33, joined the Group in July 2000 as the Qualified Accountant and Company Secretary. Ms Kuo holds a Bachelor degree in commerce from the University of Melbourne. She has over five years' auditing experience and prior to joining the Group, she worked for an international accounting firm. 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 L.P. Lammas International Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 March 2003.

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.

RESULTS AND DIVIDENDS

The Group’s loss for the year ended 31 March 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 51.

The directors do not recommend the payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated/combined results for each of the five years ended 31 March 2003.

	Year ended 31 March				
	2003	2002	2001	2000	1999
	HK\$	HK\$	HK\$	HK\$	HK\$
TURNOVER	<u>3,480,193</u>	<u>2,925,619</u>	<u>3,786,885</u>	<u>8,035,363</u>	<u>1,053,500</u>
PROFIT/(LOSS) BEFORE TAX	<u>(5,843,512)</u>	<u>(10,512,530)</u>	<u>(4,582,706)</u>	<u>5,029,021</u>	<u>(1,335,434)</u>
Tax	<u>-</u>	<u>-</u>	<u>(41,834)</u>	<u>(600,000)</u>	<u>-</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u><u>(5,843,512)</u></u>	<u><u>(10,512,530)</u></u>	<u><u>(4,624,540)</u></u>	<u><u>4,429,021</u></u>	<u><u>(1,335,434)</u></u>

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION *(continued)*

The following is a summary of the consolidated/combined results of assets and liabilities of the Group as at 31 March 2000, 2001, 2002 and 2003.

		31 March		
	2003	2002	2001	2000
	HK\$	HK\$	HK\$	HK\$
TOTAL ASSETS	5,657,998	11,426,294	21,437,893	4,209,932
TOTAL LIABILITIES	1,933,515	1,858,299	1,357,368	3,400,823
	<u>3,724,483</u>	<u>9,567,995</u>	<u>20,080,525</u>	<u>809,109</u>

Notes:

1. The summary of the combined results of the Group for the two years ended 31 March 2000 has been extracted from the Company's prospectus dated 5 December 2000 and 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 31 March 2002 are extracted from the published audited financial statements for the years ended 31 March 2001 and 2002. The results of the Group for the year ended 31 March 2003 are those set out on page 25 of the financial statements.
2. The only published audited consolidated/combined balance sheets for the Group that have been prepared are as at 31 March 2000, 2001, 2002 and 2003. The summary of the assets and liabilities of the Group as at 31 March 2000 and 2001 are extracted from the published audited financial statements for the year ended 31 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.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 17 and 18 to the financial statements.

DEFICITS

Details of movements in the deficits of the Company and of the Group during the year are set out in note 19 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 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 31 March 2003, the Company did not have any reserves available for distribution.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$9,000.

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 was 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 OF THE COMPANY

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 55% of the total sales for the year and sales to the largest customer included therein amounted to 17%. Purchases from the Group's five largest suppliers accounted for 37% of the total purchases for the year and purchases from the largest supplier included therein amount to 13%.

To the best knowledge of the directors, neither the directors, including their respective associates, nor the shareholders which, to the best knowledge of the directors, own more than 5% of the issued share capital of the Company, has 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. Yu Yan Chun

Non-executive directors:

Dr. Chan Man Hung
Mr. Leung Chi-Kin, Stewart (resigned on 12 November 2002)

Independent non-executive directors:

Ms. Yu Yuk Ying, Vivian
Mr. Lo King Yau, Edwin (resigned on 20 November 2002)
Mr. Leung Wai Man, Raymond

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. Yu Yan Chun and Ms. Yu Yuk Ying, Vivian will retire at the forthcoming annual general meeting and, being eligible, will offer themselves 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 1 December 2000. The contracts shall continue thereafter until terminated by not less than two months' notice in writing served by either party to the other, which shall not expire until after completion of the fixed term.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 21 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Number of issued ordinary shares		
	Personal interest	Corporate interest	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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed in note 18 to the financial statements, 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

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, 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 the Company's issued share capital
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, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, 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.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the significant related party and connected transactions of the Group are set out in note 21 to the financial statements.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders (as defined in the Rules Governing the Listing of the Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules")) 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 businesses of the Group or has any other conflict of interests with the Group.

SPONSORS' INTERESTS

As at 31 March 2003, 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 (the "Sponsor Agreement") dated 4 December 2000 entered into between the Company and the Sponsor, the Sponsor was entitled to receive a fee for acting as the Company's retained sponsor for the period from 15 December 2000 to 31 March 2003. The Sponsor Agreement expired as at 31 March 2003.

REPORT OF THE DIRECTORS

COMPLIANCE WITH RULES 5.28 TO 5.39 OF 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 throughout the year ended 31 March 2003.

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 purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises two independent non-executive directors, Ms. Yu Yuk Ying, Vivian and Mr. Leung Wai Man, Raymond. The Group’s financial statements for the year ended 31 March 2003 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, The Stock Exchange of Hong Kong Limited and legal requirements, and that adequate disclosures have been made. The audit committee has met four times during the year.

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

26 June 2003

REPORT OF THE AUDITORS



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 25 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 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

Certificate Public Accountants

Hong Kong

26 June 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2003

	<i>Notes</i>	2003 HK\$	2002 <i>HK\$</i>
Turnover	5	3,480,193	2,925,619
Cost of services provided		<u>(2,705,749)</u>	<u>(5,883,188)</u>
Gross profit/(loss)		774,444	(2,957,569)
Other revenue and gain	5	141,858	420,206
Administrative expenses		(6,332,672)	(7,705,391)
Other operating expenses		<u>(334,889)</u>	<u>(255,026)</u>
LOSS FROM OPERATING ACTIVITIES	6	(5,751,259)	(10,497,780)
Finance costs	7	<u>(92,253)</u>	<u>(14,750)</u>
LOSS BEFORE TAX		(5,843,512)	(10,512,530)
Tax	10	<u>–</u>	<u>–</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11, 19	<u>(5,843,512)</u>	<u>(10,512,530)</u>
LOSS PER SHARE	12		
– Basic		<u>(HK0.7 cents)</u>	<u>(HK1.3 cents)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

31 March 2003

	<i>Notes</i>	2003 HK\$	2002 HK\$
NON-CURRENT ASSETS			
Fixed assets	<i>13</i>	951,873	816,207
Rental deposit paid		178,928	–
		1,130,801	816,207
CURRENT ASSETS			
Accounts receivable	<i>15</i>	92,810	122,000
Prepayments, deposits and other receivables		175,193	326,232
Cash and bank balances		4,259,194	10,161,855
		4,527,197	10,610,087
CURRENT LIABILITIES			
Accruals and other payables		760,956	894,547
NET CURRENT ASSETS		3,766,241	9,715,540
TOTAL ASSETS LESS CURRENT LIABILITIES		4,897,042	10,531,747
NON-CURRENT LIABILITY			
Advance from a director	<i>16</i>	1,172,559	963,752
		3,724,483	9,567,995
CAPITAL AND DEFICITS			
Issued capital	<i>17</i>	16,000,000	16,000,000
Deficits	<i>19</i>	(12,275,517)	(6,432,005)
		3,724,483	9,567,995

Pong Wai Yan
Director

Kan Siu Lun
Director

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2003

	<i>Note</i>	2003 HK\$	2002 <i>HK\$</i>
Total equity at 1 April		(6,432,005)	4,080,525
Net loss for the year attributable to shareholders	<i>19</i>	<u>(5,843,512)</u>	<u>(10,512,530)</u>
Total equity at 31 March		<u>(12,275,517)</u>	<u>(6,432,005)</u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2003

	<i>Notes</i>	2003 HK\$	2002 HK\$ <i>(Restated)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(5,843,512)	(10,512,530)
Adjustments for:			
Depreciation	6	460,023	452,317
Loss on disposal of fixed assets	6	8,743	153,526
Negative goodwill recognised as income		–	(9,000)
Interest income	6	(64,273)	(385,344)
Finance costs	7	92,253	14,750
		<hr/>	<hr/>
Operating loss before working capital changes		(5,346,766)	(10,286,281)
Decrease/(increase) in accounts receivable		29,190	(122,000)
Increase in prepayments, deposits and other receivables		(27,889)	(95,510)
(Decrease)/increase in accruals and other payables		(133,591)	177,490
		<hr/>	<hr/>
Cash used in operations		(5,479,056)	(10,326,301)
Interest received		64,273	385,344
Hong Kong profits tax paid		–	(640,311)
		<hr/>	<hr/>
Net cash outflow from operating activities		(5,414,783)	(10,581,268)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(606,030)	(258,193)
Proceeds from disposal of fixed assets		1,598	3,000
Acquisition of a subsidiary	20	–	9,000
		<hr/>	<hr/>
Net cash outflow from investing activities		(604,432)	(246,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in advance from a director		116,554	949,002
		<hr/>	<hr/>
Net cash inflow from financing activities		116,554	949,002
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(5,902,661)	(9,878,459)
Cash and cash equivalents at beginning of year		10,161,855	20,040,314
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,259,194	10,161,855
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		4,259,194	10,161,855
		<hr/> <hr/>	<hr/> <hr/>

BALANCE SHEET

31 March 2003

	<i>Notes</i>	2003 HK\$	2002 <i>HK\$</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	14	3,822,816	9,576,327
CURRENT LIABILITIES			
Accruals and other payables		<u>98,333</u>	<u>8,332</u>
		<u>3,724,483</u>	<u>9,567,995</u>
CAPITAL AND DEFICITS			
Issued capital	17	16,000,000	16,000,000
Deficits	19	<u>(12,275,517)</u>	<u>(6,432,005)</u>
		<u>3,724,483</u>	<u>9,567,995</u>

Pong Wai Yan
Director

Kan Siu Lun
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2003

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in the provision of business brokerage and business consultancy services.

In the opinion of the directors, as at the balance sheet date, the ultimate holding company of the Company was WYP Holdings Limited, a company incorporated in the British Virgin Islands.

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

The following new and revised SSAPs are effective for the first time for the current year’s financial statements:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 11 (Revised): “Foreign currency translation”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 34: “Employee benefits”

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 those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated summary statement of changes in equity is now presented on page 27 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing, and financing activities, rather than the five headings previously required. The format of the consolidated cash flow statements set out on page 28 of the financial statements has been revised in accordance with new requirements.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits and the recognition of an accrual as at the balance sheet date. In addition, disclosures are now required in respect of the Company’s share option scheme, as detailed in note 18 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

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 31 March 2003. 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.

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 results of subsidiaries are included in the Company’s profit and loss account to the extent of dividends and receivable. The Company’s interests in subsidiaries are stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

Revenue recognition

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

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.

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.

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 the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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%

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

Fixed assets and depreciation *(continued)*

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 cost. Upon the exercise of 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, or which lapse, are deleted from the register of outstanding options.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

Foreign currencies

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

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical 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 the 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; and
- (b) the business consultancy services segment provides services to assist clients on various business or management issues.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

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

Group

	Business brokerage services		Business consultancy services		Consolidated	
	2003	2002	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Sales to external customers	3,120,193	2,715,619	360,000	210,000	3,480,193	2,925,619
Segment results	(4,813,984)	(9,225,483)	(547,860)	(713,411)	(5,361,844)	(9,938,894)
Interest income					64,273	385,344
Other revenue and gain					77,585	34,862
Unallocated expenses					(623,526)	(993,842)
Loss before tax					(5,843,512)	(10,512,530)
Tax					-	-
Net loss from ordinary activities attributable to shareholders					(5,843,512)	(10,512,530)

Analyses 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Consolidated	
	2003	2002	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue:						
Sales to external customers	<u>2,805,050</u>	<u>2,715,619</u>	<u>675,143</u>	<u>210,000</u>	<u>3,480,193</u>	<u>2,925,619</u>
	Hong Kong		Mainland China		Consolidated	
	2003	2002	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other segment information:						
Segment assets	<u>5,087,966</u>	<u>11,011,908</u>	<u>570,032</u>	<u>414,386</u>	<u>5,657,998</u>	<u>11,426,294</u>
Capital expenditure	<u>575,933</u>	<u>240,130</u>	<u>30,097</u>	<u>18,063</u>	<u>606,030</u>	<u>258,193</u>

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:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Other revenue:		
Interest income	64,273	385,344
Others	<u>77,585</u>	<u>25,862</u>
	<u>141,858</u>	<u>411,206</u>
Gain:		
Negative goodwill recognised	—	<u>9,000</u>
	<u>141,858</u>	<u>420,206</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2003

6. LOSS FROM OPERATING ACTIVITIES

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

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Cost of services provided	2,705,749	5,883,188
Auditors' remuneration	135,000	338,000
Depreciation	460,023	452,317
Operating lease rentals in respect of land and buildings	686,856	1,179,504
Pension scheme contributions (excluding directors' remuneration (<i>note 8</i>))	105,171	120,510
Staff costs (excluding directors' remuneration (<i>note 8</i>))*	2,815,855	3,418,615
Provision for doubtful debts	324,049	51,500
Loss on disposal of fixed assets	8,743	153,526
Exchange losses, net	115	31,853
Negative goodwill recognised as income	–	(9,000)
Interest income	(64,273)	(385,344)
	<u> </u>	<u> </u>

* Inclusive of an amount of HK\$1,541,080 (2002: HK\$2,537,299) classified under cost of services provided.

7. FINANCE COSTS

	Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Interest on an advance from a director	92,253	14,750
	<u> </u>	<u> </u>

NOTES TO FINANCIAL STATEMENTS

31 March 2003

8. DIRECTORS' REMUNERATION

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

	Group	
	2003	2002
	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	1,350,713	3,598,714
Pension scheme contributions	16,000	25,000
	<u>1,366,713</u>	<u>3,623,714</u>

There were three (2002: four) executive directors receiving individual emoluments of HK\$509,000 (2002: HK\$2,012,000), HK\$700,000 (2002: HK\$1,302,000), HK\$157,713 (2002: HK\$154,129) and nil (2002: HK\$155,585), respectively, for the year ended 31 March 2003.

None of the non-executive and independent non-executive directors received any fees or other reimbursements or emoluments for the year ended 31 March 2003.

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

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	8	8
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	–	1
	<u>–</u>	<u>1</u>

During the year, Mr. Pong Wai Yan agreed to waive his remuneration for the period from 1 July 2002 to 31 March 2003. Save as aforesaid, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

8. DIRECTORS' REMUNERATION (continued)

During the year, no emoluments were paid by the Group to the directors as 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 in note 18 to the financial statements (2002: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included two (2002: two) directors, details of whose emoluments are set out in note 8 to the financial statements. The emoluments and designated band of the remaining three (2002: three) highest paid, non-director individuals during the year were as follows:

	2003	2002
	HK\$	HK\$
Basic salaries, bonuses, housing benefits, other allowances and benefits in kind	1,090,166	1,256,030
Pension scheme contributions	34,640	36,000
	<u>1,124,806</u>	<u>1,292,030</u>

The remuneration of the three (2002: three) highest paid, non-director individuals fell within the band of nil to HK\$1,000,000. These three highest paid, non-director individuals during the year received remuneration of HK\$540,000 (2002: HK\$510,780), HK\$372,000 (2002: HK\$415,000) and HK\$212,806 (2002: nil) respectively. During the year ended 31 March 2002, another highest paid, non-director individual received remuneration of HK\$336,250.

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 (2002: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2003

10. TAX

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 (2002: 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.

The principal components of the Group's net deferred tax assets not recognised in the financial statements are as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Accelerated depreciation allowances	(52,211)	(71,026)
Tax losses	1,868,553	1,273,094
	<u>1,816,342</u>	<u>1,202,068</u>

As at 31 March 2003, the Company had unprovided deferred tax asset amounting to HK\$293,122 (2002: HK\$267,997) and related primarily to unused tax losses.

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 31 March 2003 is HK\$5,843,512 (2002: HK\$13,220,853).

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\$5,843,512 (2002: HK\$10,512,530) and the weighted average number of 800,000,000 (2002: 800,000,000) ordinary shares of the Company in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2002 and 2003 have 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

31 March 2003

13. FIXED ASSETS

Group

	Motor vehicles	Computers	Office equipment	Furniture and fixtures	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cost:					
At beginning of year	649,505	580,854	215,912	556,527	2,002,798
Additions	–	104,448	90,894	410,688	606,030
Disposals	–	(7,970)	–	(7,780)	(15,750)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	649,505	677,332	306,806	959,435	2,593,078
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation and impairment:					
At beginning of year	478,986	309,350	64,533	333,722	1,186,591
Provided during the year	85,259	149,100	54,352	171,312	460,023
Disposals	–	(3,512)	–	(1,897)	(5,409)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	564,245	454,938	118,885	503,137	1,641,205
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:					
At 31 March 2003	<u>85,260</u>	<u>222,394</u>	<u>187,921</u>	<u>456,298</u>	<u>951,873</u>
At 31 March 2002	<u>170,519</u>	<u>271,504</u>	<u>151,379</u>	<u>222,805</u>	<u>816,207</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2003

14. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK\$	HK\$
Unlisted shares, at cost	567,874	567,874
Due from subsidiaries	<u>15,992,445</u>	<u>17,952,869</u>
	16,560,319	18,520,743
Provision for impairment	(567,874)	(567,874)
Provision for amounts due from subsidiaries	<u>(12,169,629)</u>	<u>(8,376,542)</u>
	<u>3,822,816</u>	<u>9,576,327</u>

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

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation and operations	Nominal value of paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
L.P. Lammas International (BVI) Limited	The British Virgin Islands	US\$10,000	100	–	Investment holding
L.P. Lammas Asia Limited	Hong Kong	HK\$10,000,000	–	100	Provision of business information and business brokerage services
Hong Kong Asset and Equity Market Limited (formerly known as L.P. Lammas China Limited)	Hong Kong	HK\$10,000	–	100	Dormant
LPL Group Limited	Hong Kong	HK\$10,000	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 March 2003

14. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation and operations	Nominal value of paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hong Kong Enterprise Equity Market Limited (formerly known as Hong Kong Enterprise Asset and Equity Market Limited and Hong Kong Enterprise Exchange Limited)	Hong Kong	HK\$60,000	–	100	Provision of business information and business brokerage services
Hong Kong Enterprise Market Limited (formerly known as L.P. Lammas Finance Limited)	Hong Kong	HK\$2	–	100	Dormant
Hong Kong Enterprise Exchange Limited (formerly known as Hong Kong Enterprise Asset and Equity Exchange Limited and L.P. Lammas Holdings Limited)	Hong Kong	HK\$10,000	–	100	Dormant

NOTES TO FINANCIAL STATEMENTS

31 March 2003

15. ACCOUNTS RECEIVABLE

The general credit terms 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, net of provision, is as follows:

	Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Within 90 days	92,810	82,000
Between 91 days and 180 days	–	40,000
	92,810	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 1 July 2004, subject to renewal.

17. SHARE CAPITAL

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
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

31 March 2003

18. SHARE OPTION SCHEME

Share option scheme

SSAP 34 was adopted during the year, as explained in note 2 and under the heading “Share option scheme” in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company’s share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the GEM Listing Rules.

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 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 31 March 2003, the number of shares issuable under share options granted under the Scheme was 14,800,000, 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 shares 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 of the Stock Exchange on the date of grant of the particular option or the average of the closing prices of the shares on the GEM of the Stock Exchange 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

18. SHARE OPTION SCHEME (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

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 year	At 31 March 2003			
Executive directors						
Mr. Pong Wai Yan	1,400,000	-	1,400,000	29 November 2000	14 June 2001 to 13 June 2006	0.2
	1,400,000	-	1,400,000	29 November 2000	14 June 2002 to 13 June 2007	0.2
	1,000,000	-	1,000,000	29 November 2000	14 June 2002 to 13 June 2007	0.02
	1,400,000	-	1,400,000	29 November 2000	14 June 2003 to 13 June 2008	0.2
	1,400,000	-	1,400,000	29 November 2000	14 June 2003 to 13 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	29 November 2000	14 June 2001 to 13 June 2006	0.2
	1,200,000	-	1,200,000	29 November 2000	14 June 2002 to 13 June 2007	0.2
	800,000	-	800,000	29 November 2000	14 June 2002 to 13 June 2007	0.02
	1,200,000	-	1,200,000	29 November 2000	14 June 2003 to 13 June 2008	0.2
	1,200,000	-	1,200,000	29 November 2000	14 June 2003 to 13 June 2008	0.02
	<u>5,600,000</u>	<u>-</u>	<u>5,600,000</u>			
Mr. Yu Yan Chun	400,000	-	400,000	29 November 2000	14 June 2001 to 13 June 2006	0.2
	400,000	-	400,000	29 November 2000	14 June 2002 to 13 June 2007	0.2
	<u>800,000</u>	<u>-</u>	<u>800,000</u>			
Senior management						
Mr. Teng Kin Ting	400,000	-	400,000	29 November 2000	14 June 2001 to 13 June 2006	0.2
	400,000	-	400,000	29 November 2000	14 June 2002 to 13 June 2007	0.2
	<u>800,000</u>	<u>-</u>	<u>800,000</u>			
Ms. Kuo Kwan	400,000	-	400,000	29 November 2000	14 June 2001 to 13 June 2006	0.2
	400,000	-	400,000	29 November 2000	14 June 2002 to 13 June 2007	0.2
	<u>800,000</u>	<u>-</u>	<u>800,000</u>			
Other employees						
In aggregate	600,000	(400,000)	200,000	29 November 2000	14 June 2001 to 13 June 2006	0.2
	<u>600,000</u>	<u>(400,000)</u>	<u>200,000</u>			
	<u>15,200,000</u>	<u>(400,000)</u>	<u>14,800,000</u>			

* 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

19. DEFICITS

Group

	Share premium account	Accumulated losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2001	7,975,958	(3,895,433)	4,080,525
Net loss for the year	—	(10,512,530)	(10,512,530)
At 31 March 2002 and 1 April 2002	7,975,958	(14,407,963)	(6,432,005)
Net loss for the year	—	(5,843,512)	(5,843,512)
At 31 March 2003	<u>7,975,958</u>	<u>(20,251,475)</u>	<u>(12,275,517)</u>

Company

	Share premium account	Accumulated losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2001	8,463,830	(1,674,982)	6,788,848
Net loss for the year	—	(13,220,853)	(13,220,853)
At 31 March 2002 and 1 April 2002	8,463,830	(14,895,835)	(6,432,005)
Net loss for the year	—	(5,843,512)	(5,843,512)
At 31 March 2003	<u>8,463,830</u>	<u>(20,739,347)</u>	<u>(12,275,517)</u>

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

19. DEFICITS (continued)

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 may also be distributed in the form of fully paid bonus shares.

20. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Net asset acquired:		
Cash on hand	–	10,000
Negative goodwill on acquisition	–	(9,000)
	–	1,000
	–	1,000
Satisfied by:		
Cash	–	1,000
	–	1,000
	–	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:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Cash consideration	–	(1,000)
Cash on hand acquired	–	10,000
	–	9,000
Net inflow of cash and cash equivalent in respect of the acquisition of a subsidiary	–	9,000

NOTES TO FINANCIAL STATEMENTS

31 March 2003

21. RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) On 1 April 2002, Mr. Pong, an executive director and a controlling shareholder of the Company, 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 1 April 2002. The advance was unsecured, bore interests at 6.5% per annum and was payable on 1 July 2003, subject to renewal. Pursuant to the terms of the Advance Agreement, Mr. Pong was entitled to request for the repayment of the advance in whole or in part (the “Early Repayment”) prior to 1 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.

During the year, Mr. Pong requested for the early termination of the Advance Agreement (the “Early Termination”) in view of the improvement of the Group’s financial results. After careful consideration of the adequacy of the Group’s working capital, the directors of the Company agreed for the Early Termination. As a result, Mr. Pong made a net advance of HK\$116,554 (2002: HK\$949,002) to the Group during the year.

The advance is unsecured, bears interests at 6.5% per annum and is payable on 1 July 2004, subject to renewal. During the year, an interest of HK\$92,253 (2002: HK\$14,750) on the advance was charged to the Group.

- (b) During the year, the Group recorded service income of HK\$560,000 in connection with acting as financial advisor to Tung Shing Fire Services Technology Holdings Limited (“Tung Shing”) regarding the proposed placement of shares of Tung Shing on the GEM of the Stock Exchange. Mr. Pong Wai San, Wilson, who is considered as a substantial shareholder of Tung Shing under the GEM Listing Rules, is the brother of Mr. Pong. Such advisory fee was determined with reference to the scope of services provided by the Group to Tung Shing and on the basis of the number of staff of the Group involved in providing the services to Tung Shing. As at the balance sheet date, HK\$336,000 of the service income was settled by Tung Shing while full provision was made by the Group against the unsettled amount of HK\$224,000.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

22. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Within one year	576,267	1,106,147
In the second to fifth years, inclusive	111,900	–
	<u>688,167</u>	<u>1,106,147</u>

As at 31 March 2003, the Company had no significant operating lease commitments.

23. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, the comparative amounts have been restated 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 26 June 2003.