



L.P. LAMMAS INTERNATIONAL LIMITED

豐裕興業國際有限公司

(incorporated in the Cayman Islands with limited liability)

First Quarterly Report 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 report, make 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 report.

This 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 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

- The Group recorded a turnover of approximately HK\$266,000 for the three months ended 30 June 2003.
- Gross loss was HK\$194,000 for the three months ended 30 June 2003.
- Loss attributable to shareholders was HK\$1,271,000 for the three months ended 30 June 2003.
- The directors do not recommend the payment of an interim dividend for the three months ended 30 June 2003.

BUSINESS REVIEW

The Board of Directors (the “Board”) of L. P. Lammas International Limited (the “Company”) would like to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2003.

For the three months ended 30 June 2003, the Group recorded a turnover of approximately HK\$266,000, representing a decrease of 85% as compared to turnover of HK\$1,807,000 in the first quarter of 2002. The significant drop in turnover was mainly due to the outbreak of Severe Acute Respiratory Symptoms (“SARS”), which had severe impact on the Hong Kong and PRC markets and hence the business of the Group. For this reason, the Group recorded a gross loss of HK\$194,000 in this quarter, as compared to the gross profit of HK\$626,000 in the first quarter of 2002. The loss attributable to shareholders for the quarter was HK\$1,271,000, an increase of 24% as compared to loss of HK\$1,028,000 for the corresponding period in 2002. The loss did not increase proportionately with the reduction in turnover as the Group’s stringent cost control policy reduced the general and administrative expenses to approximately HK\$1,074,000, which was a 36% reduction as compared to the expenses of HK\$1,679,000 in the first quarter of 2002.

During the period under review, although the Group as well as Hong Kong’s economy as a whole have been adversely hit by the outbreak of SARS, the Group has nevertheless continued to exert efforts on strengthening its business, mainly in terms of building its brand name as the leading mergers and acquisitions (“M&A”) specialist in the Greater China Region, improving on the structure and operations of the Enterprise Asset and Equity Market Place, facilitating work-flow procedures, broadening its network of alliances, increasing its coverage and presence in the Region and strengthening its position as the provider of professional M&A services. The following summarizes the Group’s key achievements and developments for the three months ended 30 June 2003.

Enterprise Asset and Equity Market Place

The Enterprise Asset and Equity Market Place has been launched since August last year and operations have been running smoothly so far. With no exception, the performance of the Market Place has been greatly affected by the outbreak of SARS earlier in the year, however, solid foundation has been laid by the Market Place and a higher demand for professional M&A services is anticipated as soon as the economy recovers. Due to the outbreak of SARS and the adverse aftermath it brought to the economy of Hong Kong and the PRC, the Group is now focusing its marketing effort and centralizing its resources on the Hong Kong market and will be entering the vast PRC market only when a certain level of confidence in the PRC market has been restored. The priority of the Group now is therefore to focus on the Hong Kong market before it fully launches its nationwide marketing plan in the PRC, which is intended to be postponed until PRC's economy recovers.

To promote the Market Place within Hong Kong, the Group has been organizing a series of activities, with the most prominent ones being the Business Broker Workshops, which aim to expose business brokerage services to broader sectors in the market. The content of this series of workshops are mainly to familiarize the attendees with the M&A industry in Hong Kong and in the PRC, the scope of business brokerage services and to give details of the Certificate Program for Business Brokers that will be co-organized with a university in Hong Kong. So far two workshops were held (with at least four more to come), where both received positive and very satisfactory feedback, with attendance close to 100 for each workshop. The series of workshops are organized to provide a way for interested parties to get to know more about this industry and to subsequently ease their joining to industry. The workshops are also hoped to increase the general awareness of M&A activities in Hong Kong.

Apart from the Business Broker Workshops, a Certificate Program for Business Brokers will also be organized together with a university in Hong Kong. The Program will issue certificates to students who complete the course and pass the course exam at the end of the course. The Certificate Program aims to offer a proper way for interested parties to obtain an insight of the M&A industry and to learn the mechanics of M&A transactions and the handling of such cases. It is organized in the hope to expand the business brokerage sector and the volume of M&A activities in Hong Kong.

Business Developments

It is very important for the Group to maintain and enhance its relations with alliances and strategic partners and to keep establishing new alliances to enrich the Group's connection circle. These strategic relationships promote close relationships 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.

Cost Rationalization

The Group continues to strive for a cost-efficient operation. 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 period under review due to the implementation of various stringent cost control measures. The reduction in overall costs has provided the Group with a stronger foundation for future growth and developments.

On-line Management System

With the completion of the Online-Management System (“OLMS”), transaction history and staff accounts are better managed and internal workflow has also been facilitated.

The OLMS, which contains an extensive database, is also said to improve the existing workflow, improve 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 also increases the efficiency of staff members, reduces operating costs, eliminates resources redundancy, and promotes effective performance assessment by the management.

OUTLOOK

Hong Kong’s recent economy has been greatly upset by the impact of the SARS epidemic. In particular, the domestic sector has been hit hard due to the significantly weakened market confidence, where investors in general are hesitant to venture into new opportunities. But it is during an economic distress where the need for M&A services is strongly valued by many business owners.

Despite the gloomy economic and market conditions, Hong Kong remains as one of the largest sources of outward foreign direct investment (“FDI”) and recipients of inward FDI in Asia. Hong Kong has also maintained its position as an important banking and financial centre in the Asia Pacific, as well as the largest source of overseas direct investment in the PRC, where it serves as a gateway for overseas companies to establish presence in the PRC. And with the PRC’s regulations towards M&A transactions gradually becoming more transparent, it is expected the demand for professional M&A services from the PRC will increase at a very satisfactory rate.

With such a view, the Group has laid out sets of plans for the full launch of the Enterprise Asset & Equity Market Place in the PRC. The Group will start with a smaller market in the country and will gradually increase its coverage in the entire PRC, with itself serving as the leading M&A specialist to assist potential investors worldwide to explore the possibility of co-operation with Chinese companies through M&A in the PRC.

RESULTS

The Board of Directors (the “Board”) of L. P. Lammas International Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

		For the three months	
		30 June	
		2003	2002
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
		Unaudited	Unaudited
Turnover	2	266,389	1,806,693
Cost of services provided		(459,992)	(1,180,355)
Gross profit/(loss)		(193,603)	626,338
Other revenue		50,944	56,658
Administrative and general expenses		(1,073,924)	(1,679,160)
Other operating expenses		(28,308)	(9,541)
Loss from operating activities		(1,244,891)	(1,005,705)
Finance costs		(25,874)	(22,691)
Loss before tax		(1,270,765)	(1,028,396)
Tax	3	-	-
Net loss from ordinary activities attributable to shareholders		<u>(1,270,765)</u>	<u>(1,028,396)</u>
Loss per share			
– Basic	4	<u>(HK0.2 cents)</u>	<u>(HK0.1 cents)</u>
– Diluted	4	<u>N/A</u>	<u>N/A</u>

Notes:

1. BASIS OF PREPARATION

The accounts have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

2. TURNOVER

Turnover represents the net invoiced value of services provided.

3. TAX

Hong Kong profits tax has not been provided for the three months ended 30 June 2003 as the Group did not generate any assessable profits in Hong Kong during the period (2002: Nil). No provision for overseas income tax has been made for the three months ended 30 June 2003 and the corresponding period in 2002 as the Group did not earn any assessable profits in other jurisdictions during both periods.

As at the balance sheet date, there were no significant deferred tax liabilities for which a recognition/provision has not been made (2002: Nil).

4. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the three months ended 30 June 2003 of HK\$1,270,765 (2002: HK\$1,028,396) and the weighted average number of 800,000,000 (2002: 800,000,000) ordinary shares of the Company in issue during the period.

Diluted loss per share for the three months periods ended 30 June 2003 and 2002 has not been shown as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for both periods.

5. DEFICITS

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2003	7,975,958	(20,251,475)	(12,275,517)
Net loss for the period	—	(1,270,765)	(1,270,765)
	<hr/>	<hr/>	<hr/>
At 30 June 2003	<u>7,975,958</u>	<u>(21,522,240)</u>	<u>(13,546,282)</u>

6. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2003, the interests or short positions of the Directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(1) Interests in shares

Name of director	Number of issued ordinary shares held and nature of interests			Shareholdings
	Personal	Corporate	Total	
Mr. Pong Wai Yan	4,000,000	632,400,000 <i>(note)</i>	636,400,000	79.55%
Mr. Kan Siu Lun	3,600,000	–	3,600,000	0.45%

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.

(2) Interests in underlying shares

The Company operates a share option scheme (the "Scheme") of which the eligible participants include any employee (including any executive director) of the Company or any of its subsidiaries, who is in full time employment with the Company or any such subsidiary at the time when an option is granted to such employee. The Scheme will remain in force for a period of 10 years commencing on 29 November 2000.

The maximum number of shares in respect of which share options may be granted under the Scheme may not exceed, in nominal amount, 30% of the issued share capital of the Company. At 30 June 2003, the number of shares issuable under share options granted under the Scheme was 14,600,000, which represented approximately 1.83% 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 GEM of 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 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.

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

The following Pre-IPO Share Options granted to certain Directors were outstanding under the Scheme during the period:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2003	Cancelled during the period	At 30 June 2003			
Executive directors						
Mr. Pong Wai Yan	1,400,000	-	1,400,000	29th November 2000	14th June 2001 to 13th June 2006	0.2
	1,400,000	-	1,400,000	29th November 2000	14th June 2002 to 13th June 2007	0.2
	1,000,000	-	1,000,000	29th November 2000	14th June 2002 to 13th June 2007	0.02
	1,400,000	-	1,400,000	29th November 2000	14th June 2003 to 13th June 2008	0.2
	1,400,000	-	1,400,000	29th November 2000	14th June 2003 to 13th June 2008	0.02
	<u>6,600,000</u>	<u>-</u>	<u>6,600,000</u>			
Mr. Kan Siu Lun	1,200,000	-	1,200,000	29th November 2000	14th June 2001 to 13th June 2006	0.2
	1,200,000	-	1,200,000	29th November 2000	14th June 2002 to 13th June 2007	0.2
	800,000	-	800,000	29th November 2000	14th June 2002 to 13th June 2007	0.02
	1,200,000	-	1,200,000	29th November 2000	14th June 2003 to 13th June 2008	0.2
	1,200,000	-	1,200,000	29th November 2000	14th June 2003 to 13th June 2008	0.02
	<u>5,600,000</u>	<u>-</u>	<u>5,600,000</u>			
Mr. Yu Yan Chun	400,000	-	400,000	29th November 2000	14th June 2001 to 13th June 2006	0.2
	400,000	-	400,000	29th November 2000	14th June 2002 to 13th June 2007	0.2
	<u>800,000</u>	<u>-</u>	<u>800,000</u>			
	<u>13,000,000</u>	<u>-</u>	<u>13,000,000</u>			

Save as disclosed above, as at 30 June 2003, none of the Directors, chief executives of the Company and their associates had any personal, family, corporate or other interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

7. DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' and chief executives' interests or short positions in the shares and underlying shares", 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.

8. SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the paragraph headed "Directors' and chief executives' interests or short positions in the shares and underlying shares" above, as at 30 June 2003, according to the register of interests kept by the Company under Section 336 of the SFO, the following person and entity have interests or short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

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, as at 30 June 2003, the Directors are not aware of any other persons who has interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

9. SHARE OPTION SCHEME

Details of the Pre-IPO Share Options granted to Directors are set out in the sub-section headed “Interests in underlying shares” under the section headed “Directors’ and chief executives’ interests or short positions in the shares and underlying shares”. Details of the pre-IPO share options granted to senior management and other employees as at 30 June 2003 were as follows:

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 <i>HKS</i>
	At 1 April 2003	Cancelled during the period	At 30 June 2003			
Senior Management and other employees						
In aggregate	1,000,000	(200,000)	800,000	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>1,800,000</u>	<u>(200,000)</u>	<u>1,600,000</u>			

10. COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders (as defined in 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 interest with the Group.

11. 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 two independent non-executive directors, Ms. Yu Yuk Ying, Vivian and Mr. Leung Wai Man, Raymond, who are independent non-executive Directors. The Committee has reviewed draft of this report.

12. 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.

13. BOARD PRACTICES AND PROCEDURES

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 Period.

By order of the Board
L. P. Lammas International Limited
Yu Yan Chun
Director

Hong Kong, 12 August 2003