



B M Intelligence International Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential 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 liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This annual report for which the directors of B M Intelligence International Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the Purpose of giving information with regard to B M Intelligence International Limited. The directors of B M Intelligence International Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this annual report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) 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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DIRECTORS

Executive directors

LO Wah Wai (*Chairman*)

IP Yu Chak

Independent non-executive directors

SO Kwok Wai

LEE Kwong Tong

Company secretary

IP Yu Chak *AHKSA*

Audit committee

SO Kwok Wai

LEE Kwong Tong

Qualified accountant

LO Wah Wai *AICPA, CPA*

Registered office

Ugland House

P.O. Box 309

George Town

Grand Cayman

Cayman Islands

British West Indies

Head office and principal place of business in Hong Kong

Suites 1405–06

14th Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

Compliance officer

LO Wah Wai

Authorised representatives

LO Wah Wai

IP Yu Chak

Principal bankers

The Hongkong and Shanghai Banking
Corporation Limited

Main Branch

1 Queen's Road Central

Hong Kong

Auditors

Deloitte Touche Tohmatsu

Certified Public Accountants

26th Floor, Wing On Centre

111 Connaught Road

Central

Hong Kong

Legal advisers on Hong Kong law

Preston Gates Ellis

10th Floor, Hutchison House

10 Harcourt Road

Central

Hong Kong

Legal advisers on the Cayman Islands law

Maples and Calder Asia

1504 One International Finance Centre

1 Harbour View Street

Hong Kong

Cayman Islands principal share registrar and transfer office

Bank of Bermuda (Cayman) Limited

P.O. Box 513 G.T.

3rd Floor, British American Tower

Dr. Roys' Drive

George Town

Grand Cayman

Cayman Islands

British West Indies

Hong Kong branch share and registrar and transfer office

Standard Registrars Limited

5th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

Sponsor

Core Pacific - Yamaichi Capital Limited

36th Floor

COSCO Tower

Grand Millennium Plaza

183 Queen's Road Central

Hong Kong

Company website

www.bmcl.com.hk

Stock Code

8158

- **Successfully listed on the GEM board on 18th July, 2001**
- **The first business consulting company listed on the GEM board**
- **Turnover was up by over 140%**
- **Profit from operations increased by 64%**
- **Significant improvement in service variety and quality**

CORPORATE PROFILE

A story of Visions leading to Actions

B M Intelligence International Limited is a business consultancy firm specializing in the provision of business, accounting and corporate development advisory services. In less than 6 years' time, BMI swiftly developed from a firm of two people, to a sizeable professional services provider with branches and representative offices in some major cities in China, including Shenzhen, Shanghai, Chengdu, and Beijing.

The Company is constantly looking to expand its service offerings. Additional professional services added to the spectrum of services of BMI include appraisals, corporate communications services, professional translation services, and assets management services. Regardless of the numerous services, client satisfaction has always been our top priority.

“BMI excels in managing the corporate development initiatives. We believe our expertise enables customers to focus on what they do best — manage their business and maximize return.” LO Wah Wai, Chairman of BMI



On behalf of the board of directors (the “Board”), I am pleased to present to our shareholders the annual report of B M Intelligence International Limited (“BMI” or the “Company”) and its subsidiaries and associate (collectively the “Group”) for the year ended 30th April, 2002.

With its listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18th July, 2001, we are proud that BMI has become a leading professional services provider not only in Hong Kong, but also in the Greater China Region. We provide an unique blend of services and are one of the few companies in our industry to combine business, accounting and corporate development advisory services with professional appraisals, corporate communications services, and assets management services.

This highly unique package gives us a competitive advantage over our competitors because of our ability to offer a more comprehensive range of corporate development advisory services. Our services provide outsourcing solutions to the costs and complexities of a broad array of corporate development-related issues for businesses of all sizes.

Strategy with originality

While there are too many professional services providers in our industry claiming that they are providing one-stop services, BMI pursues a genuine diversified model with continuous self-improvements and scrutinization, which keep our services full of vitality. When compared with the services we provided at the beginning of the financial year, a number of professional services have been added to our services model. They include tangible/intangible assets valuations services, corporate communications services, assets management services, and professional translation services. This expansion strategy has been highly successful, and we believe that the opportunities it brings will guarantee a profitable long-term growth since the markets in the Greater China Region are large and well-suited to our strategy and expertise. It also indicates that our growth strategy of differentiating ourselves by providing real *incremental* and *value-added* services to our clients is aligned with the market demand.

advance thinking, advance return

We believe that only by thinking in advance can growth be guaranteed. Without innovative thinking, BMI is indifferent from the other business consulting firms. That is why we always emphasize on the uniqueness of our services. During the year under review, we added an important element in our services — to infuse capital investment into our corporate development advisory services. While we are serving our corporate clients, our investment professionals will also evaluate the business potential of these companies at the same time. Those companies with high revenue earning potential will be our targets for investments. Our in-depth understanding of the businesses of our clients enables us to make the right investment decisions. We believe that this very concept can generate another source of income for the Group and keep us ahead in the race.

We are proud to serve you

Strong performance and outstanding client services are our fundamentals; the strength of BMI depends on the quality of our people. We have heavily invested in talent to ensure that we only provide the best. Our corporate culture, which concentrates on fostering knowledge sharing, enables us to collectively serve clients and promote accountability for results. We are ready to recruit talented people and develop their abilities to provide clients with professional services of the highest quality. We are especially pleased to see our clients grow because their achievements signify our achievements. We are proud that on delivering our services, our clients benefited from the services we offer, and a win-win relationship is developed. We believe that by delivering services of superb quality, we shall become the fastest growing company in our industry. Our long-term goal is to be one of the most esteemed and recognized companies in our industry in the Greater China Region.

financial performance

While last year was no doubt a challenging year for many businesses, BMI's competitiveness and perseverance endured the economic setbacks. During the year under review, an increase of 142% in turnover was recorded, indicating that the Group has gathered a stable pool of customers with continued influxes of new clients. Profit attributable to shareholders was approximately HK\$8,153,000, approximately 95% higher than that in 2001. The factors underlying the increase were the securing of several corporate development advisory projects and the increase in the number of clients, most of them are from the People's Republic of China ("China" or the "PRC"). Earnings per share were HK2.80 cents, an increase of approximately 60% when compared with the same period in 2001.

Though BMI performed satisfactorily financially, I believe that the real significance of BMI lies not in the numbers, but in the fact that we continued to set records despite the prolonged economic doldrums not only in Hong Kong, but around the world, and which was heightened by the 911 incident. This shows that the enthusiasm and professionalism of our staffs are able to withstand poor and deteriorating economic condition. With such strong performances of our talented team, I am optimistic as ever about the future of BMI.

dividend

The Directors recommended the declaration of a final dividend at the rate of HK0.2 cent per share payable on 2nd September, 2002 to all persons registered as holders of shares on 29th August, 2002, the share registers will be closed from 26th August, 2002 to 29th August, 2002, both dates inclusive.

For the six months ended 31st October, 2001 and three months ended 31st January, 2002, the Board declared an interim dividend of HK1 cent per share and HK1 cent per share respectively. The aggregate payment of dividend for the year equals HK2.2 cents per share.

business, accounting and corporate development advisory services

During the year under review, our core business, the provision of business, accounting and corporate development advisory services, achieved encouraging results. This service division accounted for approximately 85% of the total turnover and total revenue of the Group for the year ended 30th April, 2002. In general, the performance of this service division reveals its strength and consistency throughout the four quarters. Amongst our client types, we have experienced growth in enterprises of different sizes, and our consulting practice attracted various corporations as they seek professional assistance in dealing with high-level corporate activities.

In addition to the scheduled plan of development, we have moved further to set up representative offices in Chengdu and Beijing. Chengdu is the capital of Sichuan Province. Not only is it the most important industrial city in the southwestern part of China, but it is also one of the most densely-populated region. As the PRC Government is keen on developing the western part of China, we foresee that setting an office in Chengdu would translate into valuable business opportunities for the Group in the near future. On the other hand, being the capital city of the PRC, Beijing is the political and cultural centre of China, as well as the portal site for business development. Our Beijing office will serve as the service centre in the North to bring convenience to our valuable clients in the region. The Board believes that these four offices in the PRC should enable us to cover the major business locations in China. It is expected that the quality of our services can be enhanced through these offices.

assets valuation services

BMI Appraisals Limited (“BMI Appraisals”), our 45% owned associate, is a valuation consulting firm providing a wide array of professional services covering the aspects of real estate valuations, plant and machinery valuations, business valuations, brand name and goodwill valuations, and equity capital valuations.

During the year under review, BMI Appraisals has been actively participating in projects on initial public offering (“IPO”) and other projects from listed companies in Hong Kong. Since its successful completion of its first IPO valuation project in December 2001, BMI Appraisals has achieved satisfactory growth. It completed two real estate valuation projects and two other business valuation projects between April and June this year. Apart from general year-end accounting valuation assignments, it has currently secured more than twenty IPO valuation projects, eleven out of which have submitted their listing applications to the Stock Exchange.

BMI Appraisals’ professional team is fully accredited and is well-versed in both local and international valuation standards in meeting the needs of corporations of various jurisdictions. The team has been striving to source business opportunities in the PRC market and the Asia-Pacific region. Furthermore, it plans to upgrade its valuation services offered to its prestigious clients. With solid foundation and the commitment of the team members, the Board believes that BMI Appraisals will soon become a renowned appraisals firm.

Corporate Communications services

As mentioned in our third quarterly report, we increased our specialty services to a broader range of clients by establishing a corporate communications services team. To further strengthen our team, we have brought in some experienced consultants to serve our clients with professional service. The key to corporate communications services is all about experience. For this reason, one of our true strengths lies in social connectivity and personal networking.

In June 2002, we acquired 30% interests in BMI Innovation Limited (“BMI Innovation”) in order to swiftly establish our corporate consultancy services and to better manage our two divisions which are (1) event management, which includes the organization and management of events such as business workshops, seminars, forums, fairs, and other educational courses or programmes; and (2) corporate communications services, which include both corporate and financial public relations consultancy. The predecessor of BMI Innovation is Innovation (Asia) Limited, a company with solid foundation and profound experience in organizing and administering various courses and study workshops for senior business executives in Hong Kong and the PRC. From the Group level, BMI Innovation can form a functional synergy with our core business. The Board is optimistic about the business opportunities ahead for BMI Innovation.

On 4th July, 2002, B M Innovation International Limited (“B M Innovation”), a company incorporated in the Cayman Islands, submitted an application to the GEM Listing Committee for listing of its shares on GEM. Prior to the granting of the approval for listing by the Stock Exchange, B M Innovation will undergo a group reorganization whereby BMI Innovation will become a wholly-owned subsidiary of B M Innovation. It is expected that the proposed listing of B M Innovation can benefit the Group by its brand name effect. The development of our corporate communications services should represent opportunities for growth and profitability.

Professional translation services

We added professional translation to our service model last year. We have been marketing this new service to our clients. To enhance our service quality, we have recruited experienced translators, accredited proofreaders and technical experts who are well-versed in various diversified subject matters. The Board envisions that China is emerging as one of the most important markets and strategic business partners for overseas corporations. As such, localization/professional translation services are essential for them to communicate with the Chinese audiences.

During the year under review, we have been serving clients throughout Hong Kong and the PRC and have maintained steady business relationships with them. Our name is now growing in popularity and last year marked a good start for our professional translation services division. Looking ahead, as the demand for translation service is increasing rapidly, the future development of our translation division should be very positive.

Uplifting of corporate image

The Group has given considerable effort to generate the public awareness of its scope of services. Coverage on the Group in newspapers was our major strategy last year. During the year under review, BMI co-operated with several major economic and financial newspapers in the major cities of the PRC including Shanghai International Finance News (「上海國際金融報」), Chengdu Jin Rong Tou Zi Bao (「成都金融投資報」) and Wuhan Tou Zi Shi Bao (「武漢投資時報」). Apart from advertising in these newspapers, we also published articles regarding various issues that enterprises will encounter when conducting business and investment.

Our future plan is to continue to make appropriate use of the media to further boost the image of the Group. To implement this plan, a series of media activities is proposed to be launched in the coming financial year. They include:

- joining seminars and forums on issues regarding listing in Hong Kong and overseas;
- placing lanternbox advertisements at Shanghai Pudong International Airport and Wuhan Tianhe Airport;
- organizing programs with Shanghai East Radio Station (「上海東方廣播電台」), Radio Television Hong Kong and Satellite Radio Guangdong (「廣東衛星廣播」) on topics regarding personal financial management and investment; and
- attending interviews of various PRC financial and investment magazines and newspapers including Shanghai Hong Kong Economy Magazine (「滬港經濟雜誌」) and Beijing Securities Daily (「證券日報」).

It is expected that the above media activities can enhance public awareness of the Group and bring in more business opportunities.

Prospects

Providing value-added services to clients is critical, and is reflected in revenues. We are proud that since going public last year, BMI has been able to deliver values to our shareholders. With the Company poised to benefit from the continued growth in the PRC economy and corporations' increasing awareness of the importance and advantages of various corporate activities, BMI's leading position in the Greater China Region is strengthened.

Looking forward, apart from continuously enriching our service variety and further improving our service quality, we shall look further to explore other business opportunities through the establishment of new strategic alliances and joint ventures, and also seek potential investment opportunities in companies that are complementary to the business development of the Group.

Notwithstanding the prolonged contraction in the world's major economies, we shall not alter our long-term business strategy. BMI has been growing, and we expect an even greater step forward as conditions improve.

Appreciation

On behalf of the Board, I wish to extend my appreciation to our customers, business partners and alliances for their enthusiasm and support, and to every employee for their hard work and dedication throughout the year.

LO Wah Wai
Chairman

Hong Kong, 25th July, 2002

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th April, 2002, the Group had net current assets of approximately HK\$21,297,000. The current assets comprised accounts receivables of approximately HK\$5,680,000, other receivables, deposits and prepayments of approximately HK\$1,210,000, and bank balances and cash of approximately HK\$13,344,000. The current liabilities comprised accrued charges of approximately HK\$1,216,000, obligations under hire purchase contracts due within one year of approximately HK\$240,000 and provision for taxation of approximately HK\$1,739,000.

As at 30th April, 2002, the Group's gearing ratio was 1%.

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 30th April, 2002, the Group was committed to an expenditure in respect of software development contracted for but not provided in the financial statements of HK\$167,000 (2001: HK\$Nil).

The Group did not have any significant investments.

FINANCIAL RESOURCES

As at 30th April, 2002, the Group had bank balances of approximately HK\$13,344,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing bank balances available.

Subsequent to the balance sheet date, 32,000,000 shares were placed to certain independent third parties at a consideration of HK\$0.30 per share as announced in the Company's announcement dated 9th May, 2002, net proceeds therefrom were approximately HK\$9,300,000 (the "Proceeds").

The Company intends to apply the Proceeds for the expansion of the Group's geographical reach in the PRC and development of new services.

MATERIAL ACQUISITIONS/DISPOSALS

The Group had no material acquisitions/disposals during the year under review.

SEGMENTAL INFORMATION

Segmental information of the Group is set out in note 4 to the financial statements.

EMPLOYEE INFORMATION

As at 30th April, 2002, the Group had 42 employees spreading from Hong Kong to the PRC.

The Group's remuneration and bonus policies are basically determined by the performance of individual employees.

The Group encourages employees to receive training and further education. It also sponsors senior executives for higher education programs.

The Group has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares.

CHARGES ON GROUP ASSETS

As at 30th April, 2002, the Group had the net book value of property, plant and equipment includes an amount approximately of HK\$382,000 (2001: HK\$222,000) in respect of assets held under hire purchase contracts.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors do not have any future plans for material investment or capital assets other than those stated in the Company's prospectus dated 11th July, 2001 (the "Prospectus").

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs cost in Hong Kong dollars and Renminbi ("RMB"). The Directors consider the impacts of foreign exchange exposure of the Group is minimal.

CONTINGENT LIABILITIES

As at 30th April, 2002, the Group did not have any contingent liabilities.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual business progress in the comparison with the business objectives set out in the Prospectus of the Company for the period from 1st November, 2001 to 30th April, 2002. The Company has achieved most of the objectives except for a few which are either in progress or adjusted due to the change of strategies.

Business objectives

Actual business progress

Business development

- | | |
|---|---|
| 1. Set up a representative office in Shenzhen, the PRC | <p>Instead of setting up a representative office in Shenzhen, we set up a wholly-owned subsidiary named “BMI Consultants (Shenzhen) Limited”</p> <p>This Shenzhen office will act as the hub for sourcing and serving customers in Southern China</p> |
| 2. Continue to develop the valuation business | <p>BMI Appraisals Limited, our appraisals division, has been making good progress since its inception in July 2001. It specializes in providing appraisals services in relation to IPO projects.</p> |
| 3. Set up regional office in Singapore | <p>The Board has decided to temporarily postpone the plan of setting up a regional office in Singapore in order to concentrate resources for the PRC market</p> |
| 4. Continue the feasibility study on carrying on the investment advisory services | <p>The Board has decided to postpone the feasibility study to next year to concentrate resources for the PRC market</p> |
| 5. Continued the feasibility study on setting up business information centre in Shanghai or Shenzhen, the PRC | <p>The personnel of our Shanghai office is now working on the feasibility study</p> |

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives

Actual business progress

Expansion of the alliance network

- | | |
|---|---|
| 1. Continue to forge additional alliances in Hong Kong and the PRC | Continued but no additional alliances agreement has been concluded yet |
| 2. Commence feasibility study on the introduction of alliance system and set up five alliances in Singapore | The Board has decided to temporarily postpone the plan of introducing alliance and setting up alliances in Singapore in order to concentrate resources for the PRC market |
| 3. Continue to provide training for the Group's associate alliance members | The Company conducted two trainings for the Group's staff and associate alliance members during the year |
| 4. Seek alliances with government bodies or university in the PRC | Continued but no additional alliances agreement has been concluded yet |

Enhancement of bmixweb.com

- | | |
|---|---|
| 1. Launch an artificial intelligence search engine for bmixweb.com | A computer company has been engaged to implement this project |
| 2. Launch an real-time interactive medium for online seminar, training and conference | A computer company has been engaged to implement this project |
| 3. Commence to develop a software program that supports job allocation, job budgeting, job costing control, staff duty control, billing and disbursements ("Online Practice Management Software") | In progress |

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives

Actual business progress

Promotion of the Group's public awareness

- | | |
|---|---|
| <p>1. Participate in seminars/conferences in relation to corporate development in the PRC</p> | <p>During the year, we have participated in a number of seminars/conferences in relation to corporate development in the PRC and other related issues, in which Mr. LO Wah Wai was one of the speakers in the following events:</p> <p>Hong Kong, "Performance of Local and Mainland Enterprises and Shareholders' values", topic: "Merger and Acquisitions as value-creating strategy for Chinese enterprise"</p> <p>Shanghai, "Forum on the Financial and Economic Issues for Senior Chinese business executives", topic: "Methods for seeking a listing in overseas"</p> |
| <p>2. Publish newsletter or periodic magazine to the Group's alliance members</p> | <p>The Group published monthly newsletters featuring the Group's latest development and new services circulating within the Group and its alliances members</p> |
| <p>3. Organize seminars with universities in the PRC regarding corporate restructuring</p> | <p>In progress</p> |
| <p>4. Organize promotional campaigns for the Group's alliance system in Shanghai, Beijing, Shenzhen and the north-western region of the PRC</p> | <p>In progress</p> |

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Use of net proceeds from the issuing of the new shares

The Group raised net proceeds of HK\$17 million (after deduction of listing expenses) from the placing of Shares and listing of the Shares on GEM on 18th July, 2001. From 18th July, 2001 to 30th April, 2002, the Group utilized approximately HK\$2,449,000 in accordance with the Group's business objectives as set out in the Prospectus, which include business development, expansion of the alliance network, enhancement of bmixweb.com, and improvement of public awareness. An analysis of the use of proceeds as at 30th April, 2002 is as follows:

	Actual	As stated in the Prospectus up to 30th April, 2002
For the expansion of the Group geographical reach and development of new services	1,823,000	4,100,000
For the expansion of the alliance network	39,000	600,000
For the enhancement of bmixweb.com	136,000	1,700,000
For the promotion of the Group's public awareness	451,000	1,000,000
Total	2,449,000	7,400,000

The actual use of proceeds was lower than the estimation made in the Prospectus because the Company applied a prudence approach in its use of proceeds. In addition, several previously planned projects were either postponed or the actual amounts required were much lower than expected. For examples, the Company postponed its development projects in Singapore, which include the setting up of new office and the seeking of alliances in order to concentrate resources in the China market. The feasibility study on carrying on the investment advisory services has been postponed. On the other hand, the market price for developing an artificial intelligence search engine and a real-time interactive medium became lower.

EXECUTIVE DIRECTORS

Mr. LO Wah Wai, aged 38, is the chairman of the Board and an executive director. Mr. LO is the founder of the Group and is responsible for the overall management, strategic planning and development of the Group. Prior to founding the Group, he had more than eight years' experience in auditing and business consulting services in an international accounting firm, two years of which were spent in the United States. Mr. LO holds a bachelor's degree in business administrative from the Chinese University of Hong Kong and a master's degree in science from New Jersey Institute of Technology, the United States. He is a practising member of the Hong Kong Society of Accountants and is a member of the American Institute of Certified Public Accountants. Mr. LO is a director of Lo & Kwong C.P.A. Company Limited and a non-executive director of Artfield Group Limited, a company listed on the main board of the Stock Exchange.

Mr. IP Yu Chak, aged 38, is an executive director. Mr. IP is responsible for the Group's sales and marketing activities. Mr. IP holds a bachelor's degree in business administration from the Chinese University of Hong Kong and a master's degree in business administration from the University of New South Wales in Australia. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Prior to joining the Group in August 1998, Mr. IP had more than eight years' experience in auditing and financial control. Mr. IP is also a non-executive director of Gay Giano International Group Limited, a company listed on the main board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SO Kwok Wai, aged 39, has over 15 years' experience in accounting and finance. He holds a bachelor's degree in business administration from the Chinese University of Hong Kong and a master's degree in management studies from the University of East Asia. He is an associate member of the Hong Kong Society of Accountants. He is currently the financial controller of a private company in Hong Kong. Mr. SO joined the Group in April 2001.

Mr. LEE Kwong Tong, aged 37, has over 11 years' experience in the banking and finance industry. He holds a bachelor's degree in science and a master's degree in business administration from the Chinese University of Hong Kong and a master's degree in accounting from the University of Southern Queensland in Australia. He is also a member of the Australian Society of Certified Public Accountants. He is currently a director of a private company involved in project investment. Mr. LEE joined the Group in June 2001.

SENIOR MANAGEMENT

Mr. XU Chen, aged 41, is the head of the Group's China business division. He joined the Group in January 2001 and is responsible for the business development of the Group in the PRC. Mr. XU obtained a bachelor's degree in economics from the Peking University and a master's degree in economics from the Shanghai Fudan University. Mr. XU has extensive experience in management, training and business development. Prior to joining the Group, Mr. XU was a lecturer in the Management School of Shanghai Fudan University for five years and was a senior management staff of several PRC and Hong Kong-based companies.

Mr. YIM Yiu Chung, Dennis, aged 38, was appointed as a director of our subsidiary, BMI Funds Management Limited on 5th June, 2002. Mr. YIM holds a bachelor degree in business administration from the Chinese University of Hong Kong and a master degree in business administration from the University of Warwick, United Kingdom. He is a qualified Chartered Financial Analyst (CFA) and a member of the Association for Investment Management and Research, USA. Mr. YIM previously worked in the corporate treasury of Intel Semiconductor Ltd, CLP Holdings Limited and AIG Consumer Finance Group, Inc. and has substantial experience in securities analysis, capital market investments and financial risk management.

The directors present their first report and the audited financial statements of the Company and of the Group for the period from 20th April, 2001 (date of incorporation) to 30th April, 2002 and of the Group for the year ended 30th April, 2002.

REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (Revision 2001) of Cayman Islands on 20th April, 2001.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of the Group on 4th July, 2001. Details of the group reorganisation are set out in the prospectus dated 11th July, 2001 issued by the Company.

The shares of the Company have been listed on GEM since 18th July, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and an associate are set out in note 33 and note 14 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th April, 2002 are set out in the consolidated income statement on page 26.

Interim dividends of HK2 cents per share amounting to HK\$6,120,000 was paid to the shareholders during the year.

Details of date and amount of dividends paid are following:

Date	Dividend per share	Total Amount HK\$
16th January, 2002	1 cent per share	3,030,000
9th April, 2002	1 cent per share	<u>3,090,000</u>
		<u>6,120,000</u>

The final dividend of HK0.2 cent (2001: HK\$Nil) per share to shareholders on the register of members on 29th August, 2002, amounting to approximately HK\$618,000, has been proposed by the directors and is subject to approval by the shareholders in general meeting.

SUMMARY OF FINANCIAL INFORMATION

The summary of financial information is set out on page 55.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the services provided to the Group's largest customer and five largest customers accounted for 15% and 52% of the total turnover. Apart from BMI Venture Partners Limited, in which Mr. LO Wah Wai and Mr. IP Yu Chak, the executive directors of the Company, have beneficial ownership, none of directors, their respective associates, nor any shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers during the year.

In view of the nature of the Group's business, no purchases and suppliers were noted.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the financial statements.

DIRECTORS

The directors of the Company since incorporation and up to the date of this report were:

Executive directors

LO Wah Wai	appointed on 20th April, 2001
IP Yu Chak	appointed on 20th April, 2001

Independent Non-executive directors

SO Kwok Wai	appointed on 26th April, 2001
LEE Kwong Tong	appointed on 4th June, 2001
LAI Ka Yue	appointed on 26th April, 2001 and resigned on 30th May, 2001

Other Non-executive directors

IP Tin Chee, Arnold	appointed on 26th April, 2001 and resigned on 15th June, 2001
SUN Sai Man, Patrick	appointed on 26th April, 2001 and resigned on 15th June, 2001

DIRECTORS' REPORT

In accordance with Article 99 of the Company's Articles of Association, the remaining directors retire and, being eligible, offer themselves for re-election.

Mr. LO Wah Wai and Mr. IP Yu Chak have entered into service contracts with the Company for an initial term of two years commencing from 1st July, 2001 which will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other. Such notice shall not expire until after the fixed term.

Mr. SO Kwok Wai and Mr. LEE Kwong Tong have been appointed for a term of two years.

DIRECTORS' INTERESTS IN SHARES

At 30th April, 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance) were as follows:

Name of directors	Corporate interests in shares
LO Wah Wai (Note 1)	138,780,000
IP Yu Chak (Note 2)	69,220,000

Notes:

- 61,620,000, 63,024,000 and 14,136,000 shares are owned by Williamsburg Invest Limited ("WI"), Mangreat Assets Corp. ("MA") and Homelink Venture Corp. ("HV") respectively. WI, MA and HV are companies incorporated in the British Virgin Islands. The entire issued share capital of WI, MA and HV is beneficially owned by Mr. LO Wah Wai.
- 62,380,000 and 6,840,000 shares are owned by B & M Associates Limited ("BM") and World Standard Development Limited ("WS") respectively. BM and WS are companies incorporated in the British Virgin Islands. The entire issued share capital of BM and WS is beneficially owned by Mr. IP Yu Chak.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed under the section "Directors' interest in shares" above, 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 any 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 or any of its subsidiaries a party to any arrangement to enable the directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTIONS

The Company's share options scheme (the "Scheme"), which was adopted pursuant to a resolution passed on 4th July, 2001 for the primary purpose of providing incentives to director and eligible employees and would be valid and effective for a period of ten years from the date of its adoption. Under the terms of the Scheme, the Directors is authorized, at their absolute discretion, to grant options to employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

In respect of 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 higher of the closing price of the shares on the GEM on the date of grant of the particular option or the average of the closing prices of the shares on the GEM for the five trading days immediately preceding the date of the offer of grant of the particular option or the nominal value of a share.

The maximum number of shares in respect of which share options may be granted under the Scheme may not exceed, in nominal amount, 30% of the issued share capital of the Company. The total number of shares available for issue which are subject to the Scheme as at 30th April, 2002 is 4,460,000 shares. At 30th April, 2002, the number of shares in respect of which options had been granted under the Scheme was 26,440,000, representing 8.56% of the then issued ordinary share capital of the Company.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time within 10 years from the date of grant. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1 per cent of issued shares.

DIRECTORS' REPORT

During the year, the Company granted 26,440,000 share options to employees of the Group (other than Directors) for the subscription of an aggregate of 26,440,000 shares of the Company. The summary details of share options are as follows:

Exercise price per share	Exercise period	Number of share options granted during the year	Number of share options exercised during the year	Number of share options outstanding at 30th April, 2002
HK\$0.250	27th July, 2001 to 26th July, 2011	8,150,000	(7,180,000)	970,000
HK\$0.210	17th December, 2001 to 16th December, 2011	300,000	(300,000)	—
HK\$0.237	1st February, 2002 to 31st January, 2012	300,000	—	300,000
HK\$0.237	11th February, 2002 to 10th February, 2012	1,520,000	(1,520,000)	—
HK\$0.219	19th March, 2002 to 18th March, 2012	8,170,000	—	8,170,000
HK\$0.227	27th March, 2002 to 26th March, 2012	8,000,000	—	8,000,000
		26,440,000	(9,000,000)	17,440,000

The fair value of the options granted in the current year totalled approximately HK\$1,033,000. The following significant assumptions were used to derive the fair value, using the Black Scholes option pricing model:

- (1) an expected volatility of 29.95%;
- (2) Annual rate of quarterly dividends of approximately 4.228% of earnings; and
- (3) The estimated expected life of the options granted during 2002 is ten years. The corresponding ten-year Hong Kong Exchange Fund Note rate at 30th April, 2002 was 5.89%.

No charge is recognized in the income statement in respect of the value of options granted in the period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 32 to the financial statement, no contracts of significance to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

During the year, the Group provided services to BMI Venture Partners Limited and BMI Innovation Limited and acquired the event management services from BMI Innovation, in which Mr. LO Wah Wai and Mr. IP Yu Chak, the executive directors of the Company, have beneficial ownership. The consideration of HK\$1,668,111 HK\$119,833 and HK\$192,000 were determined by the Directors with reference to market prices for similar transactions with unrelated parties.

In the opinion of the independent non-executive directors of the Company, the above transactions are on normal commercial terms and are earned out in the usual and ordinary course of business of the Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of Directors or the management shareholders of the Company had any interest in a business which competes or may compete with the businesses of the Group.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under section "Directors' interests in shares", the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th April, 2002.

MANAGEMENT SHAREHOLDERS

As disclosed under section "Directors' interests in shares", Mr. LO Wah Wai and Mr. IP Yu Chak are individually and collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and who are able, as a practical matter, to direct or influence the management of the Company or considered to be the management shareholder of the Company.

SPONSORS' INTERESTS

As at 30th April, 2002, Core Pacific - Yamaichi Capital Limited ("CORE"), its directors, employees or associates, did not have any interest in the securities of the Company and any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

Pursuant to the agreement dated 11th July, 2001 entered into between the Company and CORE (the "Sponsor Agreement"), CORE received fees for acting as the Company's retained sponsor for the period from 18th July, 2001 to 30th April, 2004.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 4th July, 2001 with written terms of reference for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises the two independent non-executive directors of the Company, namely, Messrs. SO Kwok Wai and LEE Kwong Tong. Four audit committee meetings were held and the Group's quarterly results for the three months ended 31st July, 2001, 31st October, 2001, 31st January, 2002 and audited financial statements for the year ended 30th April, 2002 have been reviewed by the Committee.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event of the Group are set out in note 34 to the financial statements.

PRE-EMITIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the period from 20th April, 2001 (Date of incorporation) to 30th April, 2002 with the board practice and procedures as set out in Rule 5.28 to 5.39 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

LO Wah Wai
CHAIRMAN

25th July, 2002

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF
B M INTELLIGENCE INTERNATIONAL LIMITED

邦盟滙駿國際有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 26 to 54 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, 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 30th April, 2002 and of the profit 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.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 25th July, 2002

CONSOLIDATED INCOME STATEMENT

For the year ended 30th April, 2002

	Notes	2002	2001
		HK\$'000	HK\$'000
Turnover	3	19,197	7,922
Cost of services provided		(5,577)	(1,888)
		<hr/>	<hr/>
Gross profit		13,620	6,034
Other income		232	33
Interest income from short-term loans receivable		345	—
Administrative expenses		(5,949)	(1,051)
		<hr/>	<hr/>
Profit from operations	5	8,248	5,016
Finance charge on obligations under hire purchase contracts		(31)	(18)
Share of results of an associate		810	—
		<hr/>	<hr/>
Profit before taxation		9,027	4,998
Taxation	8	(874)	(811)
		<hr/>	<hr/>
Profit attributable to shareholders		8,153	4,187
		<hr/>	<hr/>
Dividends	9	6,120	4,350
		<hr/>	<hr/>
Earnings per share	10		
Basic		2.80 cents	1.74 cents
		<hr/>	<hr/>
Diluted		2.79 cents	1.73 cents
		<hr/>	<hr/>

There were no recognised gains or losses other than the net profit for the year.

CONSOLIDATED BALANCE SHEET

At 30th April, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Non-current assets			
Property, plant and equipment	11	1,165	401
Investment in an associate	14	688	—
Other investments	15	50	50
		1,903	451
Current assets			
Accounts receivables	16	5,680	1,366
Other receivables, deposits and prepayments		1,210	752
Short-term loans receivable	17	2,800	—
Amount due from a director	18	—	982
Amount due from a related company	19	1,668	—
Bank balances and cash		13,344	458
		24,702	3,558
Current liabilities			
Accrued charges		1,216	595
Receipt in advance		—	150
Amount due to an associate	20	210	—
Obligations under hire purchase contracts — due within one year	21	240	207
Taxation		1,739	1,038
		3,405	1,990
Net current assets		21,297	1,568
Total assets less current liabilities		23,200	2,019
Non-current liabilities			
Obligations under hire purchase contracts — due after one year	21	19	17
Convertible note	22	—	2,000
		19	2,017
		23,181	2

CONSOLIDATED BALANCE SHEET

At 30th April, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Capital and reserves			
Share capital	23	3,090	—
Reserves	25	<u>20,091</u>	<u>2</u>
		<u>23,181</u>	<u>2</u>

The financial statements on pages 26 to 54 were approved and authorised for issue by the Board of Directors on 25th July, 2002 and are signed on its behalf by:

LO Wah Wai
DIRECTOR

IP Yu Chak
DIRECTOR

BALANCE SHEET

At 30th April, 2002

	Notes	HK\$'000
Non-current assets		
Investments in subsidiaries	12	200
Amounts due from subsidiaries	13	<u>21,253</u>
		<u>21,453</u>
Current assets		
Deposits and prepayments		67
Bank balances		<u>254</u>
		<u>321</u>
Current liability		
Accrued charges		<u>150</u>
Net current assets		<u>171</u>
		<u>21,624</u>
Capital and reserves		
Share capital	23	3,090
Reserves	25	<u>18,534</u>
		<u>21,624</u>

LO Wah Wai
DIRECTOR

IP Yu Chak
DIRECTOR

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 30th April, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	3,198	3,294
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividend paid		(6,120)	(4,350)
Finance charges on obligations under hire purchase contracts		(31)	(18)
Interest received		520	—
Dividend received from an associate		500	—
		<hr/>	<hr/>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(5,131)	(4,368)
TAXATION			
Hong Kong Profits Tax paid		(51)	(187)
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Increase in short-term loans receivable		(2,800)	—
Purchase of property, plant and equipment		(806)	(117)
Investment in an associate		(500)	—
Proceeds from disposal of property, plant and equipment		275	—
Increase in other investments		—	(50)
		<hr/>	<hr/>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,831)	(167)
NET CASH OUTFLOW BEFORE FINANCING		(5,815)	(1,428)
		<hr/>	<hr/>
FINANCING	27		
Proceeds from issue of new shares		22,000	—
Proceeds from issue of shares issued on exercise of share options		2,218	—
Expenses paid in connection with the issue of shares		(5,072)	—
Repayment from obligations under hire purchase contracts		(445)	(184)
Proceeds from issue of convertible note		—	2,000
		<hr/>	<hr/>
NET CASH INFLOW FROM FINANCING		18,701	1,816
INCREASE IN CASH AND CASH EQUIVALENTS		12,886	388
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		458	70
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		13,344	458
Represented by bank balances and cash		<hr/>	<hr/>

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (Revision 2001) of Cayman Islands on 20th April, 2001.

The Company is an investment holding company. The principal activities of the Group are the provision of business, accounting and corporate development advisory services.

Pursuant to a series of group reorganisation steps (the "Group Reorganisation") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 4th July, 2001.

The shares of the Company were listed on the GEM of the Stock Exchange on 18th July, 2001.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for the group reconstructions" issued by the Hong Kong Society of Accountants.

Details of the Group Reorganisation are set out in the prospectus dated 11th July, 2001 issued by the Company. The Group Reorganisation principally involved the exchange of fully paid shares of the Company for the entire share capital of B M Intelligence Limited ("BMIL").

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th April each year.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investment in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, investment in an associate is stated at the Group's share of the net assets of the associates less any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Service income is recognised when the services are provided and the transaction can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvement	over the terms of the lease
Furniture and equipment	20%
Computer equipment	25%
Motor vehicle	20%

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as assets owned by the Group.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Impairment (Continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Other investments

Other investments are recognised on a trade-date basis and are initially measured at cost.

Other investments are subsequently measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Assets held under hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liability to the hirer, net of interest charges, is included in the balance sheet as obligations under hire purchase contracts. Finance costs, which represent the difference between the total contractual hire purchase commitments and the original principal at the inception of hire purchase contracts, are charged to the income statement over the period of the relevant contracts so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

Operating lease

Rental payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollars and which operate outside Hong Kong are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Retirement benefit scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Mandatory Provident Fund Scheme.

3. TURNOVER

Turnover represents the net amounts received and receivable from services provided by the Group to outside clients during the year, and is analysed as follows:

	2002	2001
	HK\$'000	HK\$'000
Business, accounting and corporate development advisory services	16,228	7,075
Company secretarial services	1,003	847
Translation services	298	—
Assets management services	1,668	—
	19,197	7,922

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions — business, accounting and corporate development advisory services, company secretarial services, translation services and assets management services. The translation services and assets management services are established during the year. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	Business, accounting and corporate development advisory services		Company secretarial services		Translation services		Assets management services		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	16,228	7,075	1,003	847	298	—	1,668	—	19,197	7,922
Segment result	6,497	4,593	298	423	242	—	1,585	—	8,622	5,016
Bank interest income									175	—
Interest income from short-term loans receivable									345	—
Unallocated corporate expenses									(894)	—
Profit from operations									8,248	5,016
Finance charge on obligations under hire purchase contracts									(31)	(18)
Share of results of an associate									810	—
Profit before taxation									9,027	4,998
Taxation									(874)	(811)
Profit for the year									8,153	4,187
ASSETS										
Segment assets	5,361	1,215	246	151	73	—	1,668	—	7,348	1,366
Unallocated corporate assets									19,257	2,643
Consolidated total assets									26,605	4,009
LIABILITIES										
Unallocated corporate liabilities									3,424	4,007
Consolidated total liabilities									3,424	4,007

All the non-current assets are for corporate use during both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the services:

	Turnover by geographical market		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	11,930	3,025	5,058	747
PRC	7,267	4,897	4,084	4,269
	19,197	7,922	9,142	5,016
Unallocated corporate expenses			(894)	—
			8,248	5,016

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	21,875	2,980	722	401
PRC	4,730	1,029	564	—
	26,605	4,009	1,286	401

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

5. PROFIT FROM OPERATIONS

	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs (including directors' remuneration):		
Staff costs	5,534	672
Retirement benefits scheme contributions	148	51
	5,682	723
Auditors' remuneration	250	150
Depreciation of property, plant and equipment		
Owned assets	122	51
Assets held under hire purchase contracts	98	111
Loss on disposal of property, plant and equipment	27	—
Operating lease in respect of the rented premises	1,311	174
Subcontracting services fees	—	1,220
And after crediting:		
Bank interest income	175	—

6. DIRECTORS' REMUNERATION

	2002	2001
	HK\$'000	HK\$'000
Directors		
Independent non-executive directors		
Fees	—	—
Executive directors		
Fees	—	—
Basic salaries and other benefits	1,250	—
Retirement benefits scheme contributions	20	—
	1,270	—

The aggregate emoluments of each of the two executive directors during the year were HK\$635,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2001: Nil) were directors of the Company whose emoluments are set out in note 6. The emoluments of the remaining three (2001: five) individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	1,140	384
Retirement benefits scheme contributions	36	15
	<u>1,176</u>	<u>399</u>

The aggregate emoluments of each of the individuals during both years were below HK\$1,000,000.

During the years ended 30th April, 2002 and 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

8. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax for current year	752	811
Share of taxation attributable to an associate	122	—
	<u>874</u>	<u>811</u>

Hong Kong Profits Tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year.

A portion of the Group's profit neither arises in, nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

There was no significant unprovided deferred taxation during the year or at the respective balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

9. DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
Ordinary shares:		
Interim, paid — 2 cents per share	6,120	—
Dividends paid by a subsidiary of the Company to its then shareholders prior to the Group's Reorganisation	—	4,350
	6,120	4,350

The final dividend of HK0.2 cent (2001: HK\$Nil) per share to shareholders on the register of members on 29th August, 2002, amounting to approximately HK\$618,000, has been proposed by the directors and is subject to approval by the shareholders in general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2002	2001
	HK\$'000	HK\$'000
Profit for the year	8,153	4,187
Weighted average number of ordinary shares for the purposes of basic earnings per share	290,693,148	240,000,000
Effect of dilutive potential ordinary shares:		
Convertible notes	986,301	2,383,561
Options	129,941	—
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	291,809,390	242,383,561

The calculation of the Group's basic earnings per share for the year ended 30th April, 2001 is based on the Group's net profit attributable to the shareholders and on the number of ordinary shares that would have been in issue throughout the year in 2001 on the assumption that Group Reorganisation has been completed on 1st May, 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

11. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Leasehold improvement HK\$'000	Furniture and equipment HK\$'000	Computer equipment HK\$'000	Motor Vehicle HK\$'000	Total HK\$'000
COST					
At 1st May, 2001	333	161	102	—	596
Additions	130	486	388	282	1,286
Disposals	(333)	(161)	(54)	—	(548)
At 30th April, 2002	130	486	436	282	1,334
DEPRECIATION					
At 1st May, 2001	111	55	29	—	195
Provided for the year	67	78	75	—	220
Eliminated on disposals	(148)	(66)	(32)	—	(246)
At 30th April, 2002	30	67	72	—	169
NET BOOK VALUE					
At 30th April, 2002	100	419	364	282	1,165
At 30th April, 2001	222	106	73	—	401

The net book value of furniture and equipment and leasehold improvement includes an amount approximately of HK\$382,000 (2001: HK\$222,000) in respect of assets held under hire purchase contracts.

12. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY HK\$'000
Unlisted shares, at cost	200

The carrying value of the unlisted shares is based on the directors' estimate of the underlying net asset values of the subsidiaries attributable to the Group as at date on which the Company became the ultimate holding company of the Group under the Group Reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

13. AMOUNTS DUE FROM SUBSIDIARIES

The Company

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current assets.

14. INVESTMENT IN AN ASSOCIATE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	688	—

As at 30th April, 2002, the Group had investment in the following associate:

Name of company	Place of incorporation and operation	Class of shares held	Attributable equity interest to the Group	Principal activity
BMI Appraisals Limited	Hong Kong	Ordinary	45%	Valuation business

15. OTHER INVESTMENTS

The Group

The Group acquired a 3.5% and a 2.5% interest in two companies which are incorporated in Hong Kong and the British Virgin Islands.

Both of these companies are considering a proposed public listing of their shares or of their holding company's shares on the Stock Exchange. If the proposed listings are suspended within two years from January 2001, the vendors will re-acquire these shares at the consideration paid by the Group. The Group cannot sell or transfer these shares to other third parties without the prior consent of the vendors within this two-year period.

In the opinion of directors, the valuation of these investments approximates their costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

16. ACCOUNTS RECEIVABLES

The Group

The Group allows an average credit period of 60 days to its customers.

The following is an aged analysis of accounts receivable at the balance sheet date:

	2002	2001
	HK\$'000	HK\$'000
0–60 days	3,386	586
61–90 days	1,377	43
Over 90 days	917	737
	<hr/> 5,680	<hr/> 1,366

17. SHORT-TERM LOANS RECEIVABLE

The Group

The loans receivable is unsecured and bears interest at 12% per annum and is repayable on 23rd October, 2002. The loans receivable is guaranteed by an independent third party.

18. AMOUNT DUE FROM A DIRECTOR

The Group

Particulars of the amount due from a director are as follows:

	Balance at	Balance at	Maximum
	30th April,	1st May,	outstanding
	2002	2001	balance
	HK\$'000	HK\$'000	during the
			year
			HK\$'000
LO Wah Wai	—	982	982
	<hr/>	<hr/>	<hr/>

The amount was unsecured, non-interest bearing and was settled on 31st May, 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

19. AMOUNT DUE FROM A RELATED COMPANY

The Group

Particulars of the amount due from a related company are as follows:

	Balance at 30th April, 2002 HK\$'000	Balance at 1st May, 2001 HK\$'000	Maximum outstanding balance during the year HK\$'000
BMI Venture Partners Limited ("BMI Venture")	1,668	—	1,668

Messrs. LO Wah Wai and IP Yu Chak, the directors of the Company, have beneficial ownership in this company. The amount due from BMI Venture Partners Limited is unsecured, non-interest bearing and is settled on 28th June, 2002.

20. AMOUNT DUE TO AN ASSOCIATE

The Group

The amount is unsecured, non-interest bearing and is fully repaid on 17th June, 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

21. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	The Group			
	Minimum lease payments		Present value of Minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The maturity of obligations under hire purchase contracts is as follows:				
Within one year	256	226	240	207
In the second to fifth years inclusive	21	19	19	17
	277	245		
Less: Future finance charges	(18)	(21)		
Present value of lease obligations	259	224	259	224
Less: Amount due for settlement within one year and shown under current liabilities			(240)	(207)
Amount due for settlement after one year			19	17

It is the Group's policy to lease certain of its furniture and equipment under hire purchase contracts. The average lease term is two years. All leases are on a fixed repayment basis in Hong Kong dollars and no arrangement has been entered into for contingent rental payments.

The Group's obligations under hire purchase contracts are secured by hirer's charges over hire purchased assets.

22. CONVERTIBLE NOTE

The Group

On 8th November, 2000, the Group issued a convertible note with an aggregate principal amount of HK\$2,000,000 to an independent third party (the "Noteholder"). The convertible note is unsecured and interest bearing. Pursuant to the terms of the convertible note (as amended and varied by a supplemental deed dated 4th July, 2001 to the convertible note executed by BMI Asia Pacific Limited, a wholly-owned subsidiary of the Company, the Noteholder and the Company), the Noteholder has the right to convert the whole of the principal amount of the convertible note into new shares of the Company based on the offer price of HK\$0.40 per share in contemporaneous with the issue of shares of the Company as set out in note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

23. SHARE CAPITAL

	Number of Share	Amount HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At date of incorporation	1,000,000	100
Increase in authorised share capital	999,000,000	9,900
At 30th April, 2002	1,000,000,000	10,000
Issued and fully paid:		
Issue of shares to initial subscribers	1,000,000	—
Issue of share and credit nil paid shares issued previously in accordance with the Group Reorganisation	19,000,000	200
Issue of shares by capitalization of the share premium account	220,000,000	2,200
Placing of shares to professional and institutional investors	55,000,000	550
Exercise of conversion rights of the convertible note	5,000,000	50
Exercise of share options	9,000,000	90
At 30th April, 2002	309,000,000	3,090

The Company was incorporated on 20th April, 2001 with an authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares with a nominal value of HK\$0.10 each, which were allotted and issued nil paid to the subscribers on 11th June, 2001.

Pursuant to written resolutions of the then shareholders of the Company passed on 4th July, 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000 by the creation of a further 1,000,000 new shares of HK\$0.10 each when ranked equally with the then existing shares of the Company in all respects. The then entire issued and unissued share capital of the Company, represented by 2,000,000 shares of HK\$0.10 each, was sub-divided into 20,000,000 shares of HK\$0.01 each.

By written resolutions of all shareholders of the Company passed on 4th July, 2001, the authorised share capital of the Company was further increased from HK\$200,000 to HK\$10,000,000 by the creation of a further 980,000,000 new shares.

On 4th July, 2001, pursuant to the Group Reorganisation, the then shareholders of BMIL, the previous holding company of the Group, transferred the entire share capital in BMIL to the Company, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, 20,000,000 new shares to the then shareholders and (ii) credited as fully paid at par the 200,000 shares allotted and issued nil paid on 4th July, 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

23. SHARE CAPITAL (Continued)

Pursuant to written resolutions passed by the then shareholders of the Company on 4th July, 2001:

- (i) the Company issued 55,000,000 new shares of HK\$0.01 each at a price of HK\$0.40 per share on 11th July, 2001 by way of placing of new shares to professional and institutional investors; and
- (ii) an amount of HK\$2,200,000 capitalised from the share premium account arising from the issue of the 55,000,000 shares as mentioned in (i) above in paying up in full at par 220,000,000 shares at HK\$0.01 each in the Company for allotment and issue to shareholders on the register of members at the close of business on 4th July, 2001 in proportion to their then existing shareholdings.

On 8th November, 2000, the Group issued a convertible note to an independent third party pursuant to a subscription agreement and a supplemental deed dated 4th July, 2001 entered into between the third party and the Company. Pursuant to the terms of the convertible note, the principal amount of HK\$2 million is converted into the Company's shares on the day preceding the date of the listing of the Company on GEM of the Stock Exchange. On 11th July, 2001, the Company allotted and issued 5,000,000 new shares of HK\$0.01 each, credited as fully paid to the third party.

All existing shares issued by the Company during the year rank pari passu in all respects.

For the purpose of the preparation of the financial statements, the balance of share capital shown in the consolidated balance sheet at 30th April, 2001 represented the issued capital of BMIL, which was acquired by the Company on 4th July, 2001 pursuant to the Group Reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

24. SHARE OPTION

During the year, the Company granted 26,440,000 share options to employees of the Group (other than Directors) for the subscription of an aggregate of 26,440,000 shares of the Company. The summary details of Share Options are as follows:

Exercise price per share	Exercise period	Number of share options granted during the year	Number of share options exercised during the year	Number of share options outstanding at 30th April, 2002
HK\$0.250	27th July, 2001 to 26th July, 2011	8,150,000	(7,180,000)	970,000
HK\$0.210	17th December, 2001 to 16th December, 2011	300,000	(300,000)	—
HK\$0.237	1st February, 2002 to 31st January, 2012	300,000	—	300,000
HK\$0.237	11th February, 2002 to 10th February, 2012	1,520,000	(1,520,000)	—
HK\$0.219	19th March, 2002 to 18th March, 2012	8,170,000	—	8,170,000
HK\$0.227	27th March, 2002 to 26th March, 2012	8,000,000	—	8,000,000
		26,440,000	(9,000,000)	17,440,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

25. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP				
At 1st May, 2000	—	—	165	165
Profit attributable to shareholders	—	—	4,187	4,187
Dividends	—	—	(4,350)	(4,350)
<hr/>				
At 30th April, 2001	—	—	2	2
Special reserves arising on Group Reorganisation	—	(200)	—	(200)
Capitalisation of share premium account	(2,200)	—	—	(2,200)
Premium arising on issue of shares	25,528	—	—	25,528
Expenses incurred in connection with the issue of shares	(5,072)	—	—	(5,072)
Profit attributable to shareholders	—	—	8,153	8,153
Interim dividends	—	—	(6,120)	(6,120)
<hr/>				
At 30th April, 2002	18,256	(200)	2,035	20,091
<hr/>				
THE COMPANY				
Capitalisation of share premium account	(2,200)	—	—	(2,200)
Premium arising on issue of shares	25,528	—	—	25,528
Expenses incurred in connection with the issue of shares	(5,072)	—	—	(5,072)
Profit attributable to shareholders	—	—	6,398	6,398
Interim dividends	—	—	(6,120)	(6,120)
<hr/>				
At 30th April, 2002	18,256	—	278	18,534
<hr/>				

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for their acquisition at the time of the Group Reorganisation.

In addition to the retained profits of the Company, the share premium account of the Company are also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders as at 30th April, 2002 amounted to approximately HK\$18,534,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

26. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	9,027	4,998
Finance charge on obligations under hire purchase contracts	31	18
Interest income	(520)	—
Share of results of an associate	(810)	—
Depreciation	220	162
Loss on disposal of property, plant and equipment	27	—
Increase in accounts receivables	(4,314)	(864)
Increase in other receivables, deposits and prepayments	(458)	(752)
Decrease (increase) in amount due from a director	982	(728)
Increase in amount due from a related company	(1,668)	—
Increase in accrued charges	621	310
(Decrease) increase in receipt in advance	(150)	150
Increase in amount due to an associate	210	—
	3,198	3,294
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,198	3,294

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Obligations under hire purchase contracts HK\$'000	Convertible note HK\$'000
Balance at 1st May, 2000	—	—	—
Proceeds from issue of convertible note	—	—	2,000
Inception of hire purchases contracts	—	408	—
Repayments	—	(184)	—
	—	224	2,000
Balance at 30th April, 2001	—	224	2,000
Issue of shares in Group Reorganisation	200	—	—
Issue of shares in consideration for the convertible note	2,000	—	(2,000)
Proceeds from issue of ordinary shares	22,000	—	—
Expenses incurred in connection with the issues of shares	(5,072)	—	—
Issue of shares on exercise of share options	2,218	—	—
Inception of hire purchase contracts	—	480	—
Repayments	—	(445)	—
	21,346	259	—
Balance at 30th April, 2002	21,346	259	—

28. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into the following major non-cash transactions:

- a) Convertible note with nominal value in aggregate of HK\$2,000,000 was converted into shares of the Company at conversion price of HK\$0.40 per share, resulting in the issue of 5,000,000 shares of HK\$0.01 each in the Company.
- b) The Group entered into hire purchase contracts in respect of property, plant and equipment with a total capital value of at the inception of the contracts of approximately HK\$480,000 (2001: HK\$408,000).

29. CAPITAL COMMITMENTS

As at 30th April, 2002, the Group was committed to an expenditure in respect of software development contracted for but not provided in the financial statements of HK\$167,000 (2001: HK\$Nil).

The Company had no significant capital commitments at the balance sheet date.

30. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had committed to make minimum lease payments in the following periods from the balance sheet date under non-cancellable operating leases in respect of rented premises as follows:

	2002	2001
	HK\$'000	HK\$'000
Within one year	1,517	179
In the second to fifth years inclusive	262	—
	1,779	179

Operating lease payments in respect of land and buildings represent rental payable by the Group for certain of its offices. Leases are negotiated for an average term of two years and rentals are fixed and no arrangements have been entered into for contingent rental payments.

The Company had no operating lease commitments at the balance sheet date.

31. RETIREMENT BENEFIT SCHEME

With effect from 1st December, 2000, the Group has joined Mandatory Provident Fund (the "MPF") scheme for all qualifying employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. Under the MPF scheme, each of the Group and its employees are required to make contributions to the MPF scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the MPF scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

32. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to notes 18, 19 and 20 to the financial statements, the Group had the following connected and related party transactions during the year:

Name of connected/related party	Nature of transaction	2002 HK\$'000	2001 HK\$'000
BMI Venture Partners Limited (Note a)	Service income received (Note b)	<u>1,668</u>	—
BMI Innovation Limited (Formerly known as Innovation Asia Limited) (Note a)	Service income received (Note b)	<u>120</u>	55
	Event management fee paid (Note b)	<u>192</u>	—
Lo & Kwong CPA Limited (Note c)	Service income received (Note b)	<u>—</u>	29
BMI Appraisals Limited (Note d)	Service income received (Note b)	<u>99</u>	—

In addition to the above, the obligations under hire purchase contracts of the Group are guaranteed by Mr. LO Wah Wai.

Notes:

- a. Messrs. LO Wah Wai and IP Yu Chak, the directors of the Company, have beneficial ownership in this company.
- b. The prices of transactions were determined by the directors with reference to market prices for similar transactions with unrelated parties.
- c. Messrs. LO Wah Wai, the director of the Company, has beneficial ownership in this company.
- d. The Company is an associate of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

33. PARTICULARS OF SUBSIDIARIES

Name of company	Place of incorporation	Issued and fully paid share capital	Attributable equity interest to the Group		Principal activities
			Directly	Indirectly	
B & M Consultants Limited	Hong Kong	HK\$6	—	100%	Business, accounting and corporate development advisory services
Big Perspective Enterprises Corp.	British Virgin Islands	US\$1	—	100%	Nominee services
BM Intelligence Limited	British Virgin Islands	US\$20,000	100%	—	Investment holding
BMI Asia Pacific Limited	British Virgin Islands	US\$6	—	100%	Business, accounting and corporate development advisory services
BMI Corporate Advisory (Macao Commercial Offshore) Limited	Macau	HK\$50,000	—	100%	Business, accounting and corporate development advisory services
BMI Corporate Finance Limited	Hong Kong	HK\$100	—	100%	Inactive
BMI Corporate Services Limited	Hong Kong	HK\$100	—	100%	Company secretarial services
BMI Credit Management Limited	Hong Kong	HK\$100	—	100%	Inactive
BMI Finance Limited	Hong Kong	HK\$100	—	100%	Loan financing
BMI Funds Management Limited	Hong Kong	HK\$100	—	100%	Fund management services
BMI Nominees Limited	Hong Kong	HK\$100	—	100%	Nominee services
BMI Outsourcing Limited	Hong Kong	HK\$100	—	100%	Inactive
BMI Private Investment Limited	British Virgin Islands	US\$1	—	100%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April, 2002

33. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place of incorporation	Issued and fully paid share capital	Attributable equity interest to the Group		Principal activities
			Directly	Indirectly	
BMI Professional Services Limited	British Virgin Islands	US\$1	—	100%	Inactive
BMI Professional Translation Services Limited	Hong Kong	HK\$100	—	100%	Translation services
BMI Technologies Limited	Hong Kong	HK\$100	—	100%	Information Technology services
Nation Express Venture Limited	British Virgin Islands	US\$1	—	100%	Nominee services
邦盟滙駿顧問(深圳)有限公司 BMI Consultant (Shenzhen) Limited	PRC	Issued HK\$1,000,000 and fully paid HK\$500,000	—	100%	Business, accounting and corporate development advisory services
邦盟滙駿商務諮詢 (上海)有限公司 BMI Corporate Advisory (Shanghai) Limited	PRC	Issued US\$350,000 and fully paid US\$105,000	—	100%	Business, accounting and corporate development advisory services

None of the subsidiaries had any debt capital subsisting at the end of the year or at any time during the year.

34. POST BALANCE SHEET EVENT

The following event took place subsequent to the balance sheet date:

On 8th May, 2002, the Company announced that 32,000,000 ordinary shares of HK\$0.01 each in the Company would be issued to independent investors through private placement ("Placing"), at a price of HK\$0.30 per share, representing a premium of approximately 20% over the average closing price over the preceding 10 trading days up to 8th May, 2002, inclusive, of HK\$0.25 per share and a discount of approximately 6.25% to the closing price of HK\$0.32 per share on 8th May, 2002 as quoted on the Stock Exchange. Net proceeds resulted from such issue of approximately HK\$9.3 million have been used for expansion of the Group's geographical reach in the PRC and development of new services of the Company. The shares were issued on 21st May, 2002 pursuant to the general mandate granted to the directors of the Company by a written resolution of Shareholders passed on 4th July, 2001 and rank pari passu in all respects with the then existing issued shares of the Company.

RESULTS

	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Turnover	2,012	3,035	7,922	19,197
Cost of services provided	(697)	(865)	(1,888)	(5,577)
Gross profit	1,315	2,170	6,034	13,620
Other income	—	12	33	232
Interest income from short-term loans receivable				345
Administrative expenses	(221)	(677)	(1,051)	(5,949)
Profit from operations	1,094	1,505	5,016	8,248
Finance charge on hire purchase contracts	—	—	(18)	(31)
Share of results of an associate				810
Profit before taxation	1,094	1,505	4,998	9,027
Taxation	(175)	(242)	(811)	(874)
Profit attributable to shareholders	919	1,263	4,187	8,153

Notes:

1. The Company was incorporated in the Cayman Islands on 20th April, 2001 and became the holding company of the Group with effect from 4th July, 2001 as result of a group reorganization. Accordingly, the only balance sheet for the Group that have been prepared are set out on page 29 of the financial statements.
2. The results of the Group for each of the three years ended 30th April, 2001 presented above have extracted from the Company's Prospectus dated 11th July, 2001 when listing of the Company's share was sought on the GEM of the Stock Exchange.
3. The results of the year ended 30th April, 2002 have been extracted from the consolidated income statement as set out on page 26 of the financial statements.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of B M Intelligence International Limited (the “Company”) will be held at Suites 1405–06, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on 29th August, 2002 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 30th April, 2002.
2. To elect directors and to authorize the board of directors to fix their remuneration.
3. To appoint auditors and to authorize the board of directors to fix their remuneration.
4. As special business, to consider, and if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

A. **“THAT:**

conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the shares of HK\$0.01 each in the capital of the Company (“**Shares**”) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the share option scheme (a copy of which is produced to the meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) (“**New Share Option Scheme**”) up to the general scheme limit, being the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme of the Group and which must not in aggregate exceed 10 per cent. of the Shares in issue as at the day of the passing of this resolution, the New Share Option Scheme be and is hereby approved and adopted by the Company and with effect from the date of the New Share Option Scheme becoming unconditional and coming into effect, the existing share option scheme of the Company which was adopted by the Company on 4 July 2001 be terminated therefrom and the directors of the Company (“**Directors**”) be and are hereby authorised to allot and issue Shares pursuant to the exercise of any options which may fall to be granted under the New Share Option Scheme, and that to the extent permissible under the memorandum and articles of association of the Company, the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and the rules of the New Share Option Scheme, the Directors may vote in respect of any resolution(s) under or affecting the New Share Option Scheme (including the granting of options thereunder or approving the allotment and issue of Shares upon exercise of options thereunder) notwithstanding any interest(s) of any Director(s).”

B. “THAT:

the granting of options to subscribe for 10,000,000 Shares to each of Mr. Lo Wah Wai and Mr. Ip Yu Chak (“**Proposed Options**”) be and is hereby approved (with Mr. Lo Wah Wai and Mr. Ip Yu Chak and any of their respective associates abstaining from voting), subject to the terms of the New Share Option Scheme and conditions as follows:

- (a) with reference to the closing price of the Shares quoted on the Stock Exchange on 25th July, 2002 which was HK\$0.235 and the average closing price of the Shares quoted on the Stock Exchange for the five consecutive trading days immediately preceding 25th July, 2002 which was HK\$0.245, the exercise price of the Proposed Option be determined as HK\$0.245;
- (b) the Proposed Options may be exercised at any time until being expired on 24th July, 2012;
- (c) there is no performance target to be achieved or any minimum period for which the Proposed Options must be held before it can be exercised; and
- (d) a consideration of HK\$1.00 is payable on acceptance of the offer of the Proposed Options by each of the relevant grantee.”

C. “THAT:

conditional upon the passing of the Resolutions A as set out in the notice of this meeting, the general scheme limit which allows the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10 per cent. of the Shares in issue be and is hereby refreshed to the effect that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 34,100,000 Shares, which representing 10 per cent. of the Shares in issue on the date of passing this Resolution (for the purpose of calculating the refreshed limit, options previously granted, including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share option scheme of the Company, will not be counted).”

D. “THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and otherwise deal with additional Shares or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

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- (b) the approval in paragraph (a) above shall be in addition to any other authorizations given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or right to acquire Shares;
 - (iv) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the memorandum and articles of association of the Company;

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this Resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the memorandum and articles of association of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

“**Rights Issue**” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

E. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the Shares on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases, and subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolutions and the said approval shall be limited accordingly;
- (c) subject to the passing of each of the paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (d) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the memorandum and articles of association of the Company to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”

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F. **“THAT:**

conditional upon the passing of the Resolutions D and E as set out in the notice of this meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to Resolution D above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution E above, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution.”

By Order of the Board
LO Wah Wai
Chairman

Hong Kong, 25th July, 2002

Principal place of business in Hong Kong:

Suites 1405–06
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Registered Office:

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxies to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any Share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's share registrars, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.