



B M INTELLIGENCE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

2001
INTERIM REPORT 2001



B M INTELLIGENCE INTERNATIONAL LIMITED

邦 盟 滙 駿 國 際 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted 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 document, 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 document 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 document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

HIGHLIGHTS

For the six months ended 31 October 2001,

- turnover of the Group was approximately HK\$9.7 million, representing an increase of approximately 200% as compared with the corresponding period in 2000;
- net profit attributable to shareholders was approximately HK\$5.2 million, representing an increase of approximately 200% as compared with the corresponding period in 2000; and
- the Directors recommended the payment of interim dividends of HK\$0.01 (2000: Nil) per share of the Company.

CHAIRMAN'S STATEMENT

I am pleased to announce the unaudited interim results of B M Intelligence International Limited (the "Company" together with its subsidiaries and associated companies, collectively the "Group") for the six months ended 31 October 2001 (the "Reporting Period").

Building on the profound experience gained as one of the major business, accounting and corporate development advisory services providers based in Hong Kong for the enterprises in the Greater China region, the Group has continued to widen its services regimes and expand its business network. During the Reporting Period, the Group has benefited from its recognised expertise in corporate development to offer professional, innovative and high quality services. Geographically, we have further established our presence in The People's Republic of China (the "PRC") by setting up new offices and various marketing functions.

The results that the Group achieved for the Reporting Period was remarkable – both turnover and net profit attributable to shareholders were up approximately 200%. We consider that the overall business outlook for the Group, which is significantly dependent on the economic environment in the PRC, will remain positive.

FINANCIAL REVIEW

On 18 July 2001, the offering of the share (the "Shares") of the Company was oversubscribed 5.6 times and trading in the Shares commenced on the Stock Exchange. Approximately HK\$17.7 million was raised through the issue of 55 million new shares at HK\$0.4 per share. At present, approximately 300 million shares have been issued.

The Group's unaudited consolidated turnover for the Reporting Period amounted to approximately HK\$9.7 million and represents an encouraging growth rate of approximately 200% comparing to the same period (the "Corresponding Period") last year. Net profit attributable to shareholders increased approximately 200%, to record approximately HK\$5.2 million.

The significant increase in turnover and profit during the Reporting Period was mainly due to the increase in number of clients and completion of a number of major corporate development projects. Furthermore, our business valuation division has started to contribute to the revenue of the Group.

As at 31 October 2001, the Group had a cash and bank balance of about HK\$17.1 million. Our healthy financial position can enable us to further refine our services to our valued customers.

In view of the promising results of the Group for the Reporting Period, the Directors have resolved to declare an interim dividend of HK\$0.01 per share. As the dividends are paid out of the net profit of the Group for the Reporting Period, the Directors are of the view that the payment of the interim dividends will not have any adverse impacts on the working capital of the Group.

BUSINESS REVIEW

PRC consulting services

The PRC is the major customer source of the Group. We are especially interested in assisting PRC clients in evaluating market opportunities and business expansion. To achieve this goal, a strong business network has been building in the PRC. Setting up offices at certain strategic locations in the PRC can facilitate the Group to better serve our PRC customers who are seeking business development on the one hand, and help the foreign investors to explore potential market opportunities in the PRC on the other hand.

As mentioned in our first quarterly report for the three months ended 31 July 2001, we planned to set up a new office in Shanghai Municipality. Now this office has been established and is in full operation. In addition, another new office has been set up in Shenzhen, the PRC to cater for the increasing demand for business advisory services in the region. It is expected that these two new wholly owned subsidiaries of the Group will bring more businesses to the Group and strengthen our business network in the PRC. With China's entering into the World Trade Organisation ("WTO"), there will be enormous demand for business, accounting and corporate development services in the PRC. The management is optimistic to the business potential brought by our PRC offices.

Business valuation services

Our 50% owned associated company, BMI Appraisals Limited ("BMI Appraisals"), is specialized in the provision of various valuation projects ranging from the valuation of tangible assets and intangible assets such as trademarks and patents, to business valuation. During the Reporting period, BMI Appraisals has been making steady progress.

bmixweb.com

The Group has commenced to develop an artificial intelligence search engine. We are in active negotiation with a number of information technology consulting companies for the provision of technical support, while our information technology department will be the project manager to design, implement and oversee the whole project.

Once the artificial search engine is set up, our alliance members can obtain useful information from our website, *bmixweb.com*, quickly. This will greatly enhance our corporate culture of knowledge sharing.

Recently, we have launched a simplified Chinese character version of *bmixweb.com*. Since the basic function of the website is to enhance knowledge circulation amongst the Group's alliance members, this simplified Chinese character version of *bmixweb.com* will facilitate our PRC-based alliance members.

Improvement of the public awareness of the Group

China's entering into the WTO will generate many business opportunities for enterprises in Hong Kong. In order to give an opportunity for Hong Kong business executives to better equip themselves for this new era, during the Reporting Period, we organized with several prominent education institutions and professional organizations in Hong Kong and the PRC including Hong Kong

Productivity Council, School of Management, Fudan University, Peking University and Small and Medium Enterprise Centre, two study missions focusing on exploring various business aspects and opportunities in Shanghai and the Greater China Region as a whole.

To cater for the similar need of the PRC business executives, we have organized with Guotai Junan Securities (Hong Kong) Limited two seminars on the topic of Chinese enterprises seeking for a listing on The Stock Exchange of Hong Kong Limited during the Reporting Period.

Management believes that these activities are useful in uplifting the Group's image.

To strengthen the public awareness of the Group in Shanghai, we have decided to co-operate with Shanghai International Finance News (《國際金融報》) to obtain the edition right of a full page of this newspaper commencing from January 2002. The contents of this newspaper are financial and economical in nature. The page that we will be responsible for will be focusing on delivering finance and economic news of Hong Kong. Management considers that this is an effective way for the Group to gain publicity in business circles of Shanghai and the regions nearby.

For many Chinese enterprises, to seek sufficient funding through initial public offering ("IPO") is the ideal way for business development. However, the subject often involves very complex legal, accounting and operational issues to consider. To give a concise and up-to-date guidance for these enterprises, we have edited a handbook specialized in this subject. This IPO handbook, namely, "*Guidance for Chinese Enterprises Seeking for a Listing in Hong Kong*" is now being printed. It is expected that the first edition of the book will be available for sale in the PRC in January, 2002.

BUSINESS OUTLOOK

The Group will continue to focus on providing business, accounting and corporate development advisory services in Hong Kong and the PRC. While the global economic condition will not have significant rebound in the near future, the PRC will remain as the focus of business development. It is expected that the PRC will continue to be the largest recipient of foreign direct investment amongst all developing countries. In addition, the development of the Western China and China's WTO entry is expected to boost the mainland's demand for business consultancy services, which is beneficial to the Group's development.

LO Wah Wai
Chairman

Hong Kong, 14 December 2001

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

As at 31 October 2001, the Group had net current assets of approximately HK\$19,804,000. The current assets comprised accounts receivables of approximately HK\$7,305,000, deposits and prepayments of approximately HK\$887,000, and bank balances of approximately HK\$17,114,000. The current liabilities comprised accrued charges of approximately HK\$849,000, obligations under hire purchase contracts due within one year of approximately HK\$240,000 and provision for taxation of approximately HK\$1,413,000.

Capital commitments and significant investments

As at 31 October 2001, the Group did not have any significant capital commitments and significant investments.

Financial resources

As at 31 October 2001, the Group had bank balances of approximately HK\$17,114,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing bank balances available.

Material acquisitions/disposals

The Group had no material acquisitions/disposals during the Reporting Period.

Segmental information

An analysis of business and geographical segments is as follows:

Business segments

	Turnover		Contributions to profit from operating activities	
	Six months ended 31 October		Six months ended 31 October 2001	
	2001	2000	31 October 2001	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business, accounting and corporate development advisory services	9,317	2,825	5,261	1,769
Company secretarial services	447	420	234	263
	<u>9,764</u>	<u>3,245</u>	5,495	2,032
Unallocated administrative expenses			(222)	-
Other revenue			122	-
Profit from operations			<u>5,395</u>	<u>2,032</u>

Geographical segments

	Turnover		Contributions to profit from operating activities	
	Six months ended 31 October		Six months ended 31 October 2001	
	2001	2000		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	5,958	1,895	2,587	843
	<u>3,806</u>	<u>1,350</u>	<u>2,908</u>	<u>1,189</u>
	<u>9,764</u>	<u>3,245</u>	5,495	2,032
Unallocated administrative expenses			(222)	-
Other revenue			<u>122</u>	<u>-</u>
Profit from operations			<u>5,395</u>	<u>2,032</u>

Employee information

As at 31 October 2001, the Group had 29 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 31 October 2001, the Group did not have any charges on group assets.

Details of future plans for material investment or capital assets

The Directors do not have any future plans for material investment or capital assets.

Foreign exchange exposure

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

Contingent liabilities

As at 31 October 2001, the Group did not have any contingent liabilities.

LO Wah Wai

Chairman

Hong Kong, 14 December 2001

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

According to the business objectives as stated in the prospectus dated 11 July 2001

Actual results

Business development

- | | | |
|--|---|-----------|
| 1. Set up a representative office in Shanghai, the PRC | To strengthen our presence in the PRC, we have decided to set up a wholly owned subsidiary instead of a representative office in Shanghai. The setting up of the Shanghai office is now in progress.

A wholly owned subsidiary has been set up in Shenzhen, the PRC to cater for the increasing demand for business advisory services in the region. | |
| 2. Commence feasibility study on setting up a regional office in Singapore | With China's entering into the WTO and the prolonged slow economic condition in Singapore, the Directors have decided to postpone the feasibility study on setting up a regional office in Singapore for one year but to concentrate the resources on the PRC market | |
| 3. Commence to develop the valuation business | | Commenced |
| 4. Commence feasibility study on carrying on the investment advisory services | | Commenced |
| 5. Commence feasibility study on setting up business information centre in Shanghai or Shenzhen, the PRC | | Complete |

Expansion of alliance network

- | | | |
|--|---|----------|
| 1. Continue to forge two additional alliances, both co-operative and associate, in Hong Kong and the PRC | One PRC-based corporation joined us as an alliance member | |
| 2. Provide one training course for associate alliance members in the form of seminar | | Complete |

According to the business objectives as stated in the prospectus dated 11 July 2001

Actual results

Enhancement of *bmixweb.com*

- | | | |
|----|---|-------------|
| 1. | Commence to develop an artificial intelligence search engine | In progress |
| 2. | Continue to enhance the functions features and contents of the Group's website <i>bmixweb.com</i> | In progress |
| 3. | Commence to develop a real-time interactive medium for online seminar, training and conference | In progress |
| 4. | Launch simplified Chinese character version of <i>bmixweb.com</i> | Complete |

Promotion of the Group's public awareness

- | | | |
|----|---|-------------|
| 1. | Organize seminars in the PRC regarding business, accounting and corporate development advisory services | Complete |
| 2. | Publish newsletter or periodicals to promote the Group's business | In progress |

USE OF PROCEEDS

The Company obtained net proceeds, after deducting relating expenses, of approximately HK\$17.7 million from the new issue of shares by way of placing. During the Reporting Period, the Group has applied the net proceeds as follows:

Scheduled projects	Proceeds already applied during the Reporting Period <i>HK\$'000</i>
1 BUSINESS DEVELOPMENT	710
2 EXPANSION OF ALLIANCE NETWORK	39
3 ENHANCEMENT OF <i>bmixweb.com</i>	7
4 PROMOTION OF THE GROUP'S PUBLIC AWARENESS	<u>7</u>
	<u>763</u>

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2001

The board of directors (the “Board” and the “Directors”) of the Company is pleased to announce the unaudited results of the Group for the three months and six months ended 31 October 2001, together with the comparative unaudited figures for the six months ended 31 October 2000 as follows:

	Notes	Three months ended 31 October		Six months ended 31 October	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover		5,276	1,634	9,764	3,245
Cost of services provided		<u>(991)</u>	<u>(521)</u>	<u>(2,193)</u>	<u>(894)</u>
Gross profit		4,285	1,113	7,571	2,351
Other revenue		110	-	122	-
Administrative expenses		<u>(1,619)</u>	<u>(186)</u>	<u>(2,298)</u>	<u>(319)</u>
PROFIT FROM OPERATIONS		2,776	927	5,395	2,032
Finance cost		(19)	(8)	(24)	(8)
Share of profits of associate		<u>311</u>	<u>-</u>	<u>332</u>	<u>-</u>
PROFIT BEFORE TAX		3,068	919	5,703	2,024
Taxation	3	<u>(63)</u>	<u>(147)</u>	<u>(480)</u>	<u>(324)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>3,005</u>	<u>772</u>	<u>5,223</u>	<u>1,700</u>
Dividend	5				
Interim dividend of HK\$0.01 (2000: Nil) per share		<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Earnings per share	4				
Basic (Cents)		1.00	0.32	1.89	0.71
Diluted (Cents)		<u>1.00</u>	<u>0.32</u>	<u>1.86</u>	<u>0.71</u>

UNAUDITED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31 October 2001 HK\$ '000	As at 30 April 2000 HK\$ '000
NON-CURRENT ASSETS			
Fixed assets		860	401
Interest in a jointly-controlled entity		279	-
Other investments		<u>50</u>	<u>50</u>
		1,189	451
CURRENT ASSETS			
Accounts receivable	7	7,305	1,366
Deposits, prepayment and other receivables		887	752
Amount due from a Director		-	982
Bank balances and cash		<u>17,114</u>	<u>458</u>
		<u>25,306</u>	<u>3,558</u>
CURRENT LIABILITIES			
Receipt in advance		-	150
Other payables and accruals		849	595
Obligations under hire purchases contracts			
- due within one year		240	207
Taxation payable		1,413	1,038
Proposed dividends		<u>3,000</u>	<u>-</u>
		<u>5,502</u>	<u>1,990</u>
NET CURRENT ASSETS		<u>19,804</u>	<u>1,568</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,993</u>	<u>2,019</u>
NON-CURRENT LIABILITIES			
Convertible note		-	2,000
Obligations under hire purchases contracts			
- due after one year		<u>140</u>	<u>17</u>
		<u>140</u>	<u>2,017</u>
NET ASSETS		<u>20,853</u>	<u>2</u>
Financed by:			
Share capital	8	3,000	-
Reserves	9	<u>17,853</u>	<u>2</u>
		<u>20,853</u>	<u>2</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

As at
31 October 2001
HK\$'000

NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(1,473)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	92
TAXES PAID	(52)
INVESTING ACTIVITIES	(925)
FINANCING ACTIVITIES	19,014
INCREASE IN CASH AND CASH EQUIVALENTS	16,656
Cash and cash equivalents at beginning of period	458
Cash and cash equivalents at end of period	17,114
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	17,114

UNAUDITED STATEMENT OF MOVEMENT IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed deficit <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2001	-	-	-	2	2
Arising on acquisition of subsidiary	-	-	(200)	-	(200)
Issue of shares	3,000	23,400	-	-	26,400
Share issue expenses	-	(5,372)	-	-	(5,372)
Capitalization issue of shares	-	(2,200)	-	-	(2,200)
Profit for the period	-	-	-	5,223	5,223
Dividends	-	-	-	(3,000)	(3,000)
	3,000	15,828	(200)	2,225	20,853

Notes:

1. Group reorganization and basis of preparation

- (a) The Company was incorporated in the Cayman Islands under the Companies Law (2001 Revision) as an exempted company with limited liability on 20 April 2001.
- (b) On 4 July 2001, pursuant to a group reorganization to rationalize the structure of the Group in preparation for the listing of the Shares on the Growth Market Enterprise (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group. Shares of the Company were listed on GEM on 18 July 2001.
- (c) The unaudited results of the Group comprise the results of the Company and its subsidiaries using the merger accounting basis as if the current group structure had been in existence throughout the relevant periods.
- (d) The principal accounting policies adopted by the Group in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong.

2. Turnover

Turnover represents the net amounts received and receivable from services provided by the Group to outside clients during the Reporting Periods.

3. Taxation

	Three months ended		Six months ended	
	31 October		31 October	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises				
Hong Kong profits tax	13	147	427	324
Share of associates' taxation	50	-	53	-
	<u>63</u>	<u>147</u>	<u>480</u>	<u>324</u>

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the relevant periods.

There was no significant unprovided deferred taxation in respect of any periods referred to in this report.

4. Earnings per share

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

	Three months ended		Six months ended	
	31 October		31 October	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit for the Reporting Period and earnings for the purpose of calculating basic and diluted earnings per share	<u>3,005</u>	<u>772</u>	<u>5,223</u>	<u>1,700</u>
Number of shares:				
Number of shares for the purpose of basic earnings per share (<i>Note</i>)	300,000,000	240,000,000	277,010,868	240,000,000
Effect of dilutive potential shares:				
Share options	<u>-</u>	<u>-</u>	<u>4,252,173</u>	<u>-</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>300,000,000</u>	<u>240,000,000</u>	<u>281,263,041</u>	<u>240,000,000</u>

Note:

The calculation of the Group's basic earnings per share for the three months and six months ended 31 October 2000 are based on the Group's net profit attributable to the shareholders for the respective periods of approximately HK\$772,000 and HK\$1,700,000 on the weighted average of 240,000,000 ordinary shares that would have been in issue throughout the relevant period in 2000 on the assumption that the Group Reorganization has been completed on 1 May 2000.

5. Interim dividend

An interim dividend of HK\$0.01 (2000: Nil) per share have today been declared payable on 16 January 2002 to shareholders registered at the close of business on 14 January 2002; the share registers will be closed from 9 January 2002 to 14 January 2002, both dates inclusive.

6. Movements in reserves

In July 2001, 55,000,000 Shares of HK\$0.40 each were issued to the public at a premium of HK\$0.39 per Share. The excess of the issue price over the par value of the shares issued, net of share issuance expenditure, amounting to approximately HK\$15,830,000 has been credited to the share premium account of the Company. There was no other movement in reserves except the profit attributable to the shareholders for the Reporting Period.

There was no movement in reserves except for the profit attributable to the shareholders during the Corresponding Period.

7. Accounts receivable

	As at 31 October 2001	As at 30 April 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The ageing analysis of debtors is as follows:		
0-3 months	4,617	631
Over 3 months – 1 year	2,632	715
Over 1 year	<u>56</u>	<u>20</u>
	<u>7,305</u>	<u>1,366</u>

8 Share capital

	As at 31 October 2001
	<i>HK\$'000</i>
<i>Authorised:</i>	
1,000,000,000 shares of HK\$0.01 each	<u>10,000</u>
<i>Issued and fully paid</i>	<u>3,000</u>
<i>Share option scheme</i>	

The Company has conditionally adopted the share option scheme. The principle terms and conditions of the share option scheme are summarized in the paragraph headed “Share Option Scheme” (the “Scheme”) in appendix IV to the prospectus of the Company dated 11 July 2001.

Options to subscribe for 8,150,000 Shares were granted to employees of the Company (other than the Directors) on 27 July 2001, for notional consideration, with an exercise price of HK\$0.25 per Share which may be exercised at any time from the date of grant to the business date preceding the tenth anniversary of the date of grant.

Subsequent to 31 October 2001 and up to the date of this report, a total of 3,000,000 ordinary shares of the Company at an exercise price of HK\$0.250 per share were issued due to the exercise of share option under the Scheme.

9. Reserves

	As at 31 October 2001	As at 30 April 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share premium	15,828	-
Contributed deficit	(200)	-
Retained profits	<u>2,225</u>	<u>2</u>
	<u>17,853</u>	<u>2</u>

DIRECTORS' INTERESTS IN SHARES

As at 31 October 2001, the interest of the Directors in the Shares and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as required to be recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:-

Number of shares of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Lo Wah Wai (<i>Note 1</i>)	-	-	140,080,000	-	140,080,000
Ip Yu Chak (<i>Note 2</i>)	-	-	69,920,000	-	69,920,000

Notes:-

- 62,920,000, 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, which are incorporated in the British Virgin Islands and the entire issued share capital of each of such companies is beneficially owned by Mr. Lo Wah Wai.
- 63,080,000 and 6,840,000 shares are owned by B & M Associates Limited (“B&M”) and World Standard Development Limited (“World Standard”) respectively, which are incorporated in the British Virgin Islands, and the entire issued share capital of each of such companies is beneficially owned by Mr. Ip Yu Chak.

DIRECTORS' RIGHT TO ACQUIRE SHARES

During the Reporting Period, none of the Directors or their associates was granted options to subscribe for the Shares, nor had exercised such rights.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. The principle terms and conditions of the share option scheme are summarized in the paragraph headed “Share Option Scheme” (the “Scheme”) in appendix IV to the prospectus of the Company dated 11 July 2001.

Options to subscribe for 8,150,000 Shares were granted to employees of the Company (other than the Directors) on 27 July 2001, for notional consideration, with an exercise price of HK\$0.25 per Share which may be exercised at any time from the date of grant to the business date preceding the tenth anniversary of the date of grant.

Subsequent to 31 October 2001 and up to the date of this report, a total of 3,000,000 ordinary shares of the Company at an exercise price of HK\$0.250 per share were issued due to the exercise of share option under the Scheme.

SUBSTANTIAL SHAREHOLDERS

Other than such interests and those as disclosed in the above section headed “Directors’ Interests in Shares” and to the best of the Directors' knowledge, the Directors are not aware of any other person(s) who is/are entitled to exercise or control the exercise of 10% or more of the then issued share capital of the Company as at 31 October 2001 for the purposes of the SDI Ordinance.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group.

SPONSOR'S INTERESTS

As confirmed by the Company's retained sponsor, Core Pacific-Yamaichi Capital Limited (the "Sponsor"), as at 31 October 2001, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), had any interests in the share capital of the Company.

Pursuant to the agreement dated 11 July 2001 entered into between the Company and the Sponsor, the Sponsor will receive sponsorship fees for acting as the Company's retained sponsor for the period from 18 July 2001 to 30 April 2004.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") with written terms of reference in July 2001. The audit committee comprises two independent non-executive directors being Mr. So Kwok Wai and Mr. Lee Kwong Tong. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31 October 2001.

COMPLIANCE WITH BOARD PRACTICE AND PROCEDURES

All of the recommendations and guidelines of the Board of Best Practice issued by the Stock Exchange have been complied with by the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period, the Group had not purchased, sold or redeemed any of the Shares.