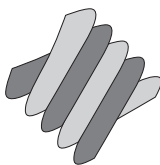


# B M Intelligence

**International Limited**

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



# 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.

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*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

The board of directors (the “Board” or the “Directors”) of B M Intelligence International Limited (the “Company”) is pleased to announce the consolidated profit and loss account, consolidated cash flow statement and consolidated statement of movement in equity of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31 October 2002, and the consolidated balance sheet as at 31 October 2002 of the Group, all of which are unaudited and in condensed format, along with selected explanatory notes and the comparative unaudited figures for the corresponding period in 2001 as follows:

#### UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Three months ended 31 October		Six months ended 31 October	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	<b>2,004</b>	5,276	<b>6,789</b>	9,764
Cost of services provided		<u><b>(2,065)</b></u>	<u>(991)</u>	<u><b>(3,948)</b></u>	<u>(2,193)</u>
Gross (loss)/profit		<b>(61)</b>	4,285	<b>2,841</b>	7,571
Other revenue		<b>50</b>	110	<b>59</b>	122
Interest from short term loan receivables		<b>—</b>	—	<b>90</b>	—
Administrative expenses		<u><b>(3,124)</b></u>	<u>(1,619)</u>	<u><b>(5,180)</b></u>	<u>(2,298)</u>
(LOSS)/PROFIT FROM OPERATIONS	4	<b>(3,135)</b>	2,776	<b>(2,190)</b>	5,395
Finance charge on obligations under hire purchase contracts		<b>(4)</b>	(19)	<b>(8)</b>	(24)
Share of results of associates		<u><b>295</b></u>	<u>311</u>	<u><b>424</b></u>	<u>332</u>
(LOSS)/PROFIT BEFORE TAXATION		<b>(2,844)</b>	3,068	<b>(1,774)</b>	5,703
Taxation	6	<u><b>42</b></u>	<u>(63)</u>	<u><b>(68)</b></u>	<u>(480)</u>
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u><b>(2,802)</b></u>	<u>3,005</u>	<u><b>(1,842)</b></u>	<u>5,223</u>
Dividends		<u><b>—</b></u>	<u>3,000</u>	<u><b>682</b></u>	<u>3,000</u>
Earnings per share	8				
Basic		<b>(0.82) cent</b>	1.00 cent	<b>(0.55) cent</b>	1.89 cents
Diluted		<u><b>N/A</b></u>	<u>1.00 cent</u>	<u><b>N/A</b></u>	<u>1.86 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<i>(Unaudited)</i> As at <b>31 October</b> <b>2002</b> <i>HK\$'000</i>	<i>(Audited)</i> As at 30 April 2002 <i>HK\$'000</i>
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>2,149</b>	1,165
Investment in associates		<b>557</b>	688
Other investments		<b>50</b>	50
		<u><b>2,756</b></u>	<u>1,903</u>
<b>CURRENT ASSETS</b>			
Accounts receivables	10	<b>6,767</b>	5,680
Other receivables, deposit and prepayment		<b>2,812</b>	1,210
Short-term loans receivable		<b>—</b>	2,800
Amount due from an invested company		<b>762</b>	—
Amount due from a related company		<b>—</b>	1,668
Bank balances and cash		<b>18,772</b>	13,344
		<u><b>29,113</b></u>	<u>24,702</u>
<b>CURRENT LIABILITIES</b>			
Other payable and accrued expenses		<b>930</b>	1,216
Amount due to an associate		<b>—</b>	210
Obligations under hire purchase contracts			
— due within one year		<b>139</b>	240
Taxation		<b>1,581</b>	1,739
		<u><b>2,650</b></u>	<u>3,405</u>
<b>NET CURRENT ASSETS</b>		<u><b>26,463</b></u>	<u>21,297</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>29,219</b></u>	<u>23,200</u>
<b>NON-CURRENT LIABILITIES</b>			
Obligations under hire purchase contracts			
— due after one year		<b>—</b>	19
		<u><b>—</b></u>	<u>19</u>
		<u><b>29,219</b></u>	<u>23,181</u>
<b>Capital and Reserves</b>			
Share capital	11	<b>3,410</b>	3,090
Reserves	12	<b>25,809</b>	20,091
		<u><b>29,219</b></u>	<u>23,181</u>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 October	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	<b>(4,556)</b>	(1,525)
CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	<b>2,232</b>	(618)
CASH GENERATED FROM FINANCING ACTIVITIES	<u><b>7,752</b></u>	<u>18,799</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<b>5,428</b>	16,656
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u><b>13,344</b></u>	<u>458</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><b>18,772</b></u>	<u>17,114</u>

## UNAUDITED CONSOLIDATED STATEMENT OF MOVEMENT IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2002	3,090	18,256	(200)	2,035	23,181
Issue of shares	320	9,284	—	—	9,604
Expenses incurred in connection with the issue of shares	—	(360)	—	—	(360)
Loss attributable to shareholders	—	—	—	(1,842)	(1,842)
Final dividends	—	—	—	(682)	(682)
Interim dividends	—	—	—	(682)	(682)
At 31 October 2002	<u>3,410</u>	<u>27,180</u>	<u>(200)</u>	<u>(1,171)</u>	<u>29,219</u>
At 1 May 2001	—	—	—	2	2
Special reserve arising on group reorganisation	—	—	(200)	—	(200)
Capitalisation of share premium account	—	(2,200)	—	—	(2,200)
Issue of shares	3,090	25,528	—	—	28,618
Expenses incurred in connection with issue of shares	—	(5,072)	—	—	(5,072)
Profit attributable to shareholders	—	—	—	8,153	8,153
Interim dividends	—	—	—	(6,120)	(6,120)
At 30 April 2002	<u>3,090</u>	<u>18,256</u>	<u>(200)</u>	<u>2,035</u>	<u>23,181</u>

### Notes to the Condensed Interim Accounts

#### 1. Basis of preparation

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Chapter 18 of the Rules of Governing the Listing of Securities on the Growth Enterprise Market of The Market of The Stock Exchange of Hong Kong Limited.

#### 2. Turnover

Turnover represents the net amounts received and receivable from services provided by the Group to outside clients during the six months ended 31 October 2002.

### 3. Business and geographical segments

#### *Business segments*

For management purposes, the Group is currently organised into five operating divisions — business, accounting and corporate development advisory services, company secretarial services, professional translation, assets management services and information technologies consultancy services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses for the six months ended 31 October 2002 is presented below:

	Business, accounting and corporate development advisory services				Company secretarial services		Professional translation services		Assets management services		Information technologies consultancy services		Consolidated	
	2002		2001		2002		2001		2002		2001		2002	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Turnover	<b>5,649</b>	9,317	<b>664</b>	447	<b>368</b>	—	—	—	—	<b>108</b>	—	<b>6,789</b>	9,764	
Segment result	<b>(394)</b>	5,319	<b>196</b>	223	<b>(89)</b>	—	<b>(60)</b>	—	<b>(5)</b>	—	<b>(352)</b>	5,542		
Other income												<b>59</b>	122	
Interest income from short-term loans receivable												<b>90</b>	—	
Unallocated corporate expenses												<b>(1,987)</b>	<b>(269)</b>	
Profit from operations												<b>(2,190)</b>	5,395	
Finance charge on obligations under hire purchase contracts												<b>(8)</b>	<b>(24)</b>	
Share of results of associates												<b>424</b>	<b>332</b>	
(Loss)/profit before taxation												<b>(1,774)</b>	5,703	
Taxation												<b>(68)</b>	<b>(480)</b>	
(Loss)/profit for the period												<b>(1,842)</b>	<b>5,223</b>	
	<b>As at 31 October 2002</b>	As at 30 April 2002	<b>As at 31 October 2002</b>	As at 30 April 2002	<b>As at 31 October 2002</b>	As at 30 April 2002	<b>As at 31 October 2002</b>	As at 30 April 2002	<b>As at 31 October 2002</b>	As at 30 April 2002	<b>As at 31 October 2002</b>	As at 30 April 2002	<b>As at 31 October 2002</b>	As at 30 April 2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
ASSETS														
Segment assets	<b>6,058</b>	5,361	<b>651</b>	246	<b>48</b>	73	—	1,668	<b>10</b>	—	<b>6,767</b>	7,348		
Unallocated corporate assets											<b>25,102</b>	<b>19,257</b>		
Consolidated total assets											<b>31,869</b>	<b>26,605</b>		
LIABILITIES														
Unallocated corporate liabilities											<b>2,650</b>	<b>3,424</b>		
Consolidated total liabilities											<b>2,650</b>	<b>3,424</b>		

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

*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/(loss)	
	Six months ended 31 October		from operations	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,587	5,958	(1,716)	2,709
PRC	<u>5,202</u>	<u>3,806</u>	<u>1,513</u>	<u>2,908</u>
	<b>6,789</b>	<b>9,764</b>	<b>(203)</b>	<b>5,617</b>
Unallocated corporate expenses			<u>(1,987)</u>	<u>(222)</u>
			<b>(2,190)</b>	<b>5,395</b>

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, plants and equipment	
	As at 31 October	As at 30 April	Six months ended 31 October	
	2002	2002	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	24,219	21,875	346	617
PRC	<u>7,650</u>	<u>4,730</u>	<u>807</u>	<u>205</u>
	<b>31,869</b>	<b>26,605</b>	<b>1,153</b>	<b>822</b>

**4. (Loss)/Profit from operations**

	Six months ended	
	31 October	2001
	2002	2001
	HK\$'000	HK\$'000
(Loss)/Profit from operations has been arrived at after charging:		
Staff costs (Including directors' remuneration):		
Staff costs	3,193	2,386
Retirement benefits scheme contributions	<u>80</u>	<u>76</u>
	<b>3,273</b>	<b>2,462</b>
Depreciation of property, plant and equipment		
Owned assets	98	89
Assets held under hire purchase contracts	66	33
Property, plant and equipment written off	4	—
Operating lease in respect of the rented premises	<b>878</b>	<b>471</b>
And after crediting:		
Bank interest income	<u>6</u>	<u>92</u>



## 5. Directors' remuneration

	Six months ended 31 October	
	2002	2001
	HK\$'000	HK\$'000
Directors		
Independent non-executive directors fees	—	—
Executive directors		
Fees	—	—
Basic salaries and other benefits	750	500
Retirement benefits scheme contributions	12	8
	<u>762</u>	<u>508</u>

## 6. Taxation

	Three months ended 31 October		Six months ended 31 October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
Hong Kong profits tax	(90)	13	—	427
Share of taxation attributable to associates	48	50	68	53
	<u>(42)</u>	<u>63</u>	<u>68</u>	<u>480</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period.

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

## 7. Interim dividend

The Directors declared an interim dividend at the rate of 0.2 cent per share payable on 10 October 2002 for the three months ended 31 July 2002.

The Directors do not recommend the payment of an interim dividend for the three months ended 31 October 2002 (2001: HK\$0.01 per share).

## 8. Earnings per share

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

	Three months ended 31 October		Six months ended 31 October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net (loss)/profit for the period and earnings for the purpose of calculating basic and diluted earnings per share	<u>(2,802)</u>	<u>3,005</u>	<u>(1,842)</u>	<u>5,223</u>
Number of shares:				
Number of shares for the purpose of basic earnings per share	341,003,695	300,000,000	337,351,521	277,010,868
Effect of dilutive potential shares:				
Share options	1,273,209	—	1,383,310	—
Convertible note	—	—	—	4,252,173
Weighted average number of share for the purpose of calculating diluted earnings per share	<u>342,276,904</u>	<u>300,000,000</u>	<u>338,734,831</u>	<u>281,263,041</u>

## 9. Property, plant and equipment

	Leasehold improvement <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
At 1 May 2002	130	486	436	282	1,334
Additions	321	465	367	—	1,153
Disposals	—	(4)	—	—	(4)
At 31 October 2002	<u>451</u>	<u>947</u>	<u>803</u>	<u>282</u>	<u>2,483</u>
<b>Depreciation and amortisation</b>					
At 1 May 2002	30	67	72	0	169
Provided for the year	22	50	68	25	165
At 31 October 2002	<u>52</u>	<u>117</u>	<u>140</u>	<u>25</u>	<u>334</u>
<b>Net book values</b>					
At 31 October 2002	<u>399</u>	<u>830</u>	<u>663</u>	<u>257</u>	<u>2,149</u>
At 30 April 2002	<u>100</u>	<u>419</u>	<u>364</u>	<u>282</u>	<u>1,165</u>

The net book value of furniture and equipment and leasehold improvement includes an amount of approximately HK\$316,000 (as at 30 April 2002: HK\$382,000) in respect of assets held under hire purchase contracts.

## 10. Accounts receivables

### The Group

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

	As at 31 October 2002 <i>HK\$'000</i>	As at 30 April 2002 <i>HK\$'000</i>
The ageing analysis of debtors is as follows:		
0 – 60 days	1,034	3,386
61 – 90 days	941	1,377
Over 90 days	4,792	917
	<u>6,767</u>	<u>5,680</u>

## 11. Share capital

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each (“Shares”)	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 1 May 2002	309,000,000	3,090
Issuance of Shares ( <i>Note</i> )	32,000,000	320
Exercise of share options	<u>20,000</u>	<u>—</u>
As at 31 October 2002	<u>341,020,000</u>	<u>3,410</u>

### *Note:*

On 8 May 2002, Williamsburg Invest Limited and Mangreat Assets Corp. (the “Vendors”), both are the substantial shareholders of the Company, entered into a placing agreement with Guotai Junan Securities (Hong Kong) Limited (the “Placing Agent”) to place unconditionally an aggregate of 32,000,000 shares of the Company at HK\$0.30 each

to independent third parties on a best endeavour basis. The Vendors and the Company also entered into a subscription agreement on the same date pursuant to which, upon the completion of placing, the Vendors would in turn subscribe for the same number of shares of the Company at HK\$0.30 each. The subscription for 32,000,000 Shares of the Company was completed on 21 May 2002.

All the issued shares of the Company rank *pari passu* and do not carry pre-emptive rights.

## 12. Reserves

	31 October 2002 <i>HK\$'000</i>	30 April 2002 <i>HK\$'000</i>
Share premium	27,180	18,256
Special reserves	(200)	(200)
(Accumulated losses)/retained profits	<u>(1,171)</u>	<u>2,035</u>
	<u>25,809</u>	<u>20,091</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review and results of operations

For the six months ended 31 October 2002, the Group recorded a total turnover of approximately HK\$6,789,000 and loss attributable to shareholders of HK\$1,842,000, as compared to a turnover of HK\$9,764,000 and a profit of HK\$5,223,000 for the same period of last year.

The decline in turnover was mainly attributable to the prolonged global economic downturn and the unsatisfactory performance of the stock market, which resulted into the delays or suspensions of the Group's projects. However, as the fundamentals of the Group remain strong, the Directors expect a bounce back of the Group's performance when the economy picks up.

To stop the downward trend in both turnover and profit, the Directors are going to take a series of policy in the coming quarters. As reflected in the accounts, the Group's results were burdened by the high cost of services provided and administrative expenses. The Directors are currently reviewing the overall staff structure of the Group in order to uplift the working efficiency and improve cost effectiveness. It is expected that a decrease in cost will be achieved primarily through a workforce reduction, stringent new hiring procedures, discretionary cost containment, and improved utilization of physical spaces. While we shall make tremendous measures in terms of cost management, a professional team with the best quality will be kept in order to ensure that we only deliver the best services. This will be our key focus in the quarters ahead.

### Comments on segmental results

#### *Business, accounting and corporate development advisory services*

With impact of the global economic turmoil resulted into the deferment of corporate development plans of our clients, which adversely affected the performance of this service division. During the period under review, this service division strived to expand its client base. The Directors considered that the performance of this service division will improve when the economy rebounds.

#### *Assets valuation services*

BMI Appraisals Limited ("BMI Appraisals"), our 45% owned associate, is an all-rounded valuation consulting firm which provides professional services covering real estate, plant & machinery, and intangible assets valuations. During the period under review, BMI Appraisals

achieved satisfactory performance in projects for listing and public documentation purposes. It completed a number of IPO valuation projects during July to September. It also completed a number of valuation projects during April to September for public documentation purposes. Apart from listing-related projects, BMI Appraisals constantly retained instructions from a broad base of corporate clients for asset revaluation purposes. It already expanded its team to reinforce its current services and to explore business potentials in the PRC market and the Asian-pacific region. The Board believes the prospect of BMI Appraisals is promising.

#### *Corporate communications services*

The corporate communications division, which is represented by our 30% owned associate, BMI Innovation Limited, achieved satisfactory development during the period under review. Two flotation projects had been completed, resulting in the successful listings of two Mainland private enterprises, one on the Main Board and another on the GEM Board. Preparation of the public relations work for the flotation of a Hong Kong company was still in progress. Among the project businesses, the remarkable ones were the organization of a launch ceremony for a client's telecommunications network with roaming services and the organization of a launch ceremony for a client's audio-visual product in Shanghai. Business prospecting on all fronts was still being actively pursued.

#### *Professional translation services*

During the period under review, the department experienced a rapid expansion both externally and internally.

We continued to focus our marketing efforts on prospecting potential clients. We actively pursued an aggressive business development plan to enhance the market exposure of the department and promote our quality translation services to new clients. We maintained good relations with existing clients and strategic partners. During the period under review, the department was engaged in several large-scale financial translation projects with the span of around three months to six months.

Internally, our translation team has been working closely to ensure the prompt delivery of quality translation services to our valuable clients. We are planning to recruit additional experienced translators for future further expansion.

#### **A solid outlook for the future**

We posted results that fell short of our goals in this quarter, which was disappointing. But in times of challenge, great companies turn it up a notch, and that is exactly what we are heading to. We are committed to maximising shareholders' value by keeping to our mantra of growing ahead of the market, reducing costs and building a great team.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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

### **Business development**

- |  |   |
|--|---|
| 1. Continue to recruit personnel to develop the Group's business, accounting and corporate advisory services                       | Three professional staff have been recruited to develop the Group's business, accounting and corporate advisory services  |
| 2. Commence to set up new company or division to carry out investment advisory services  | The Group is still in the progress of screening the suitable personnel to develop this business plan  |
| 3. Commence feasibility study on setting up another representative office in Guangzhou, the PRC and an overseas office in New York | <p>The project to set up a representative office in New York has been postponed as the Directors intend to concentrate the Company's resources on the PRC market</p> <p>The project to set up a representative office in Guangzhou, the PRC has been postponed as the Directors consider that the Group's subsidiary in Shenzhen can still be able to serve the clients in the Guangdong Province at the moment</p> |
| 4. Set up the business information centre in Shanghai or Shenzhen in the PRC   | The Group's offices in Shenzhen and Shanghai have been developed partly as a business information centres in the respective regions   |

### **Expansion of the alliance network**

- |   |  |
|---|--|
| 1. Continue to forge more alliance in Hong Kong, the PRC and Taiwan | No additional alliance has been forged during the period                             |
| 2. Continue to provide trainings for associate alliance members     | Several trainings have been provided to associate alliance members during the period |

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

**Actual business progress**

**Enhancement of bmixweb.com**

1. Launch Online Practice Management Software
2. Continue to enhance the contents of bmixweb.com and further enhance the function of the artificial intelligence search engine

The first stage of this business plan including input interface and database structuring has been completed. We are now running the system offline for testing purpose

The contents of bmixweb.com have been enhanced continuously which included the addition of more practical case studies and updating of existing contents

We are now searching a suitable software supplier in order to implement the artificial intelligence searching system

**Improvement of public awareness**

1. Continue to participate in seminar/conferences in relation to corporate development in the PRC

The Group continued to participate in various seminar/conferences in relation to corporate development in the PRC, which mainly included the following events:

1. A conference named “Investment opportunities and ways for Hong Kong stock market” (「香港股票市場的投資機會及渠道」) (Shenzhen, the PRC, 15 June 2002)
2. A series of seminars named “Shanghai Fudan University Senior Executive Program” (「中國上海復旦大學管理人員研修班」), (Shanghai, the PRC, 26 September 2002 – 30 September 2002)
3. A series of seminars named “Tsinghua University Senior Executive Program” (「北京清華大學工商金融界高層管理人員研修班」), (Beijing, the PRC, 25 October 2002 – 29 October 2002)

Except for the participation in seminar/conferences in relation to corporate development in the PRC, we also placed lanternbox advertisement at certain airports in the PRC in order to increase the public awareness of the Group

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

2. Recruit three to five staff for the editorial team which will be mainly responsible for publication of the Group's newsletter

## Actual business progress

The first issue of the Group's newsletter has been published. On the other hand, in order to update our clients' about the Group's latest development, brief update leaflets have been sent out to our business correspondences from time to time

The editorial team of the Group has been established through re-allocation and more efficient use of internal human resources. No additional staff have been recruited for cost-saving purpose

## USE OF PROCEEDS

The Company obtained net proceeds, after deducting relating expenses, of approximately HK\$17.1 million from the new issue of shares by way of placing. During the six months ended 31 October 2002, the Group has applied the net proceeds as follows:

### Scheduled projects

	<b>Intended funding HK\$'000</b>	<b>Actual funding HK\$'000</b>
1. Business development	2,000	1,702
2. Expansion of alliance network	300	208
3. Enhancement of bmixweb.com	900	58
4. Promotion of the group's public awareness	<u>500</u>	<u>502</u>
Total	<u>3,700</u>	<u>2,470</u>

*Note:*

### Reasons for the different usage of proceeds and forecast usage

The actual use of proceeds for the period was less than the proposed use of amount as stated in the Company's prospectus dated 11 July 2001. Owing to the continued downturn of the outlook for the global economy, the Group continues to adopt a stringent control on the application of funds. Furthermore, the implementation of certain business objectives such as enhancement of bmixweb.com and the feasibility study on setting up a representative office were either delayed or postponed. As at 31 October 2002, the unused proceeds were deposited at bank.

### Liquidity, financial resources and capital structure

As at 31 October 2002, the Group had net current assets of approximately HK\$26,463,000. The current assets comprised accounts receivables of approximately HK\$6,767,000, other receivables, deposits and prepayments of approximately HK\$2,812,000, and bank balances and cash of approximately HK\$18,772,000. The current liabilities comprised accrued charges of

approximately HK\$930,000, obligations under hire purchase contracts due within one year of approximately HK\$139,000 and provision for taxation of approximately HK\$1,581,000. As at 31 October 2002, the Group did not have any borrowings other than obligation under hire purchase contracts (30 April 2002: Nil).

The shareholders' equity of the Group as at 31 October 2002 increased by approximately 26.0% to approximately HK\$29,219,000 (30 April 2002: HK\$23,181,000). The gearing ratio (calculated as the ratio of obligation under hire purchase contracts : shareholders' equity) of the Group as at 31 October 2002 was approximately 1% (30 April 2002: 1%).

In May 2002, a placing and subscription agreement was entered into pursuant to which the placing agent had placed 32,000,000 existing Shares to independent third parties and Williamsburg Invest Limited and Mangreat Assets Corp. had subscribed for 32,000,000 new Shares, both at HK\$0.30 per Share, which represented a discount of approximately 6.25% and a premium of approximately 20% to the closing Share price on 8 May 2002 and over the average closing Share price for the last ten trading days up to and including 8 May 2002 respectively. A total of approximately HK\$9,300,000, net of expenses, was raised for the expansion of the Group's geographical reach in the PRC and development of new services.

#### *Capital commitments and significant investments*

As at 31 October 2002, the Group did not have any capital commitment and significant investments.

#### *Financial resources*

As at 31 October 2002, the Group had bank balances of approximately HK\$18,772,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing bank balances available.

On 8 May 2002, 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 9 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.

During the period, the Proceeds were deposited at bank as the proceeds that the Company obtained from new issue of shares by way of placing on 18 July 2001 have not yet been fully used up.

#### **Material acquisitions/disposals**

The Group had no material acquisitions/disposals during the six months ended 31 October 2002.

#### **Segmental information**

Segmental information of the Group is set out in note 3 to the financial statements.

#### **Employee information**

As at 31 October 2002, the Group had 54 (2001: 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 2002, the net book value of furniture and equipment and leasehold improvement includes an amount of approximately HK\$316,000 (as at 30 April 2002: HK\$382,000) in respect of assets held under hire purchase contract.

### **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 11 July 2001.

### **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 2002, the Group did not have any contingent liabilities.

## **DIRECTORS' INTERESTS IN EQUITY SECURITIES AND OPTIONS**

As at 31 October 2002, the interest of the Directors in the equity securities 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:

### **(a) Interests in shares of the Company**

<b>Name of Directors</b>	<b>Number of shares of the Company</b>				<b>Total</b>
	<b>Personal Interests</b>	<b>Family Interests</b>	<b>Corporate Interests</b>	<b>Other Interests</b>	
Lo Wah Wai ( <i>Note 1</i> )	—	—	139,050,000	—	139,050,000
Ip Yu Chak ( <i>Note 2</i> )	—	—	69,220,000	—	69,220,000

#### *Notes:*

- 61,890,000, 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.
- 62,380,000 and 6,840,000 shares are owned by B & M Associates Limited ("B&M") and World Standard Development Limited ("WS") 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.

## (b) Interests in share options granted by the Company

As at 31 October 2002, the Directors had personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Date of grant	Subscription price per share HK\$	Outstanding at beginning of the period	Number of share options Granted during the period	Exercised during the period	Outstanding at end of the period
Lo Wah Wai	26 July 2002	0.243	—	3,000,000	—	3,000,000
	29 August 2002	0.245	—	10,000,000	—	10,000,000
				(Note)		
Ip Yu Chak	26 July 2002	0.243	—	3,000,000	—	3,000,000
	29 August 2002	0.245	—	10,000,000	—	10,000,000
				(Note)		

### Note:

At the annual general meeting of the Company held on 29 August 2002 (the “AGM”), shareholders passed the resolutions in relation to the grant of share options to Mr. Lo Wah Wai and Mr. Ip Yu Chak, the executive directors of the Company. Details of the grant are contained in a circular dated 31 July 2002 sent to the shareholders of the Company.

Options granted under this share option scheme are exercisable within 10 years from the respective date of grant.

Save as disclosed above, as at 31 October 2002, none of the Directors had any interests in the share capital of the Company or any associated corporation as defined in the SDI Ordinance, and none of the Directors, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 4 July 2001 (the “2001 Share Option Scheme”). The principle terms and conditions of the 2001 Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” in appendix IV to the prospectus dated 11 July 2001 of the Company.

On 25 September 2001, the Stock Exchange announced amendments to Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong (the “GEM Listing Rules”), which came into effect on 1 October 2001. In order to comply with the amendments to the GEM Listing Rules and the announcements of the Stock Exchange, the Directors consider that it is in the interest of the Company to terminate the 2001 Share Option Scheme and to adopt a new share option scheme (the “2002 Share Option Scheme”). Pursuant to the AGM, the Directors of the Company had terminated the 2001 Share Option Scheme. On the same day, the Directors approved and adopted the 2002 Share Option Scheme.

Upon termination of the 2001 Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the 2001 Share Option Scheme shall remain in force and all options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Since the adoption of the 2002 Share Option Scheme, no further options have been granted under the 2001 Share Option Scheme.

Details of the movements in the share options granted and exercised during the six months ended 31 October 2002 under the 2001 Share Option Scheme are as follows:

Name or category of participant	Date of grant	Outstanding as at 1 May 2002	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 31 October 2002	Exercisable period	Subscription price per share of the Company HK\$
<b>(a) Director</b>									
Lo Wah Wai	26 July 2002	—	3,000,000 (Note 1)	—	—	—	3,000,000	26 July 2002 – 25 July 2012	0.243
	29 August 2002	—	10,000,000 (Note 2)	—	—	—	10,000,000	29 August 2002 – 28 August 2012	0.245
Ip Yu Chak	26 July 2002	—	3,000,000 (Note 1)	—	—	—	3,000,000	26 July 2002 – 25 July 2012	0.243
	29 August 2002	—	10,000,000 (Note 2)	—	—	—	10,000,000	29 August 2002 – 28 August 2012	0.245
<b>(b) Employees</b>									
In aggregate	27 July 2001	970,000	—	(5,000) (Note 3)	—	—	965,000 (Note 4)	27 July 2001 – 26 July 2011	0.250
	1 February 2002	300,000	—	—	—	—	300,000	1 February 2002 – 31 January 2012	0.210
	19 March 2002	8,170,000	—	(5,000) (Note 3)	—	—	8,165,000 (Note 5)	19 March 2002 – 18 March 2012	0.219
	27 March 2002	8,000,000	—	(10,000) (Note 3)	—	—	7,990,000 (Note 6)	27 March 2002 – 26 March 2012	0.227
		<u>17,440,000</u>	<u>26,000,000</u>	<u>(20,000)</u>			<u>43,420,000</u>		

*Notes:*

- (1) At the date immediately before the options were granted on 26 July 2002, the closing price per share was HK\$0.235.
- (2) At the date immediately before the options were granted on 29 August 2002, the closing price per share was HK\$0.228.
- (3) The weighted average closing price of shares immediately before 30 September 2002 (date of exercise) was HK\$0.229.
- (4) Certain employees who were granted options to subscribe for an aggregate of 260,000 shares of the Company ceased employment before they exercised their options. The exercise period of such options were not lapsed but remained unchanged in view of their contributions to the Group during their employment.
- (5) An employee who was granted an option to subscribe for 2,905,000 shares of the Company ceased employment before he exercised his option. The exercise period of such option was not lapsed but remained unchanged in view of his contributions to the Group during his employment.
- (6) An employee who was granted an option to subscribe for 2,000,000 shares of the Company ceased employment before he exercised his option. The exercise period of such option was not lapsed but remained unchanged in view of his contributions to the Group during his employment.

The fair value of the options granted during the period totalled approximately HK\$2,434,516. The following significant assumptions were used to derive the fair value, using the Black Scholes option pricing model:

Variable	Measurement Date					
	27 July 2001	1 February 2002	19 March 2002	27 March 2002	26 July 2002	29 August 2002
Total number of options	965,000	300,000	8,165,000	7,990,000	6,000,000	20,000,000
Total Fair value (HK\$)	62,569	18,335	460,371	466,825	333,222	1,093,194
Expected life (year)	8.74	9.26	9.39	9.41	9.74	9.84
Risk-free rate	4.570%	4.570%	4.570%	4.570%	4.570%	4.570%
Expected volatility	41.63%	41.63%	41.63%	41.63%	41.63%	41.63%
Expected dividend	5.858%	5.858%	5.858%	5.858%	5.858%	5.858%

- (1) The total fair value represents the total fair value of the company on the date of option grant (the "Measurement Date").
- (2) an expected volatility of 41.63% during the twelve months ended 31 October 2002;
- (3) annual rate of dividends is based on historic pattern of approximately 5.858% of earnings; and
- (4) the estimated expected life of the options granted during 2002 is ten years.
- (5) The corresponding ten-year Hong Kong Exchange Fund Note as at 31 October 2002 was 4.57%.

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

In assessing the aggregate value of the share options, no adjustment has been made for possible future forfeiture of the options.

It should be noted that the value of options calculated using the Black-Scholes Model is based on different variables of various subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. It is also possible that the financial benefit accruing to the grantee of an option will be considerably different from the value determined under the Black-Scholes Model.

## **SUBSTANTIAL SHAREHOLDERS**

Other than such interests and those as disclosed in the above section headed "Directors' Interests in Equity Securities and Options" 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 2002 for the purposes of the SDI Ordinance.

## **COMPETING INTERESTS**

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

## **SPONSOR'S INTERESTS**

As confirmed by the Company's retained sponsor, Core Pacific - Yamaichi Capital Limited (the "Sponsor"), as at 31 October 2002, 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 or until the agreement is terminated upon the terms and conditions set out therein.

## **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 quarterly accounts for the six months ended 31 October 2002.

## **BOARD PRACTICES AND PROCEDURES**

During the six months ended 31 October 2002, the Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 31 October 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**B M Intelligence International Limited**  
**Lo Wah Wai**  
*Chairman*

Hong Kong, 13 December 2002