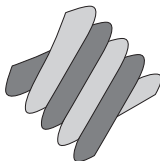


# **B M Intelligence International Limited**

(Incorporated in the Cayman Islands with limited liability)

**Interim Report 2003**



## 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 present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group” or “BMI”) for the three months and six months ended 31 October 2003 together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

#### UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	Three months ended		Six months ended	
		31 October 2003	2002	31 October 2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>2,850</b>	2,004	<b>6,348</b>	6,789
Cost of services provided		<u>(2,663)</u>	<u>(2,065)</u>	<u>(5,041)</u>	<u>(3,948)</u>
Gross profit/(loss)		<b>187</b>	(61)	<b>1,307</b>	2,841
Other revenue		<b>10</b>	50	<b>10</b>	59
Interest from short term loan receivables		—	—	—	90
Administrative expenses		<u>(2,210)</u>	<u>(3,124)</u>	<u>(3,497)</u>	<u>(5,180)</u>
Loss from operations	4	<b>(2,013)</b>	(3,135)	<b>(2,180)</b>	(2,190)
Finance charge on obligations under hire purchase contracts		—	(4)	<b>(1)</b>	(8)
Share of results of associates		<u>4</u>	<u>295</u>	<u>334</u>	<u>424</u>
Loss before taxation		<b>(2,009)</b>	(2,844)	<b>(1,847)</b>	(1,774)
Taxation	6	<u>5</u>	<u>42</u>	<u>(53)</u>	<u>(68)</u>
Loss before minority interest		<b>(2,004)</b>	(2,802)	<b>(1,900)</b>	(1,842)
Minority interest		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u><b>(2,004)</b></u>	<u>(2,802)</u>	<u><b>(1,900)</b></u>	<u>(1,842)</u>
Dividends	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>682</u>
Loss per share	8				
Basic		<b>(0.59) cent</b>	(0.82) cent	<b>(0.56) cent</b>	(0.55) cent
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<i>(Unaudited)</i> As at <b>31 October</b> <b>2003</b> <i>HK\$'000</i>	<i>(Audited)</i> As at 30 April 2003 <i>HK\$'000</i>
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>2,159</b>	1,884
Deposits paid for acquisition of property, plant and equipment		—	600
Interest in associates		<b>1,404</b>	1,124
		<b>3,563</b>	3,608
<b>CURRENT ASSETS</b>			
Accounts receivables	10	<b>2,439</b>	2,222
Other receivables, deposit and prepayment		<b>2,472</b>	1,664
Amount due from an associate		<b>264</b>	189
Bank balances and cash		<b>17,645</b>	21,120
		<b>22,820</b>	25,195
<b>CURRENT LIABILITIES</b>			
Other payable and accrued expenses		<b>1,583</b>	1,225
Obligations under hire purchase contracts		—	19
— due within one year		<b>469</b>	1,570
Taxation		<b>2,052</b>	2,814
		<b>20,768</b>	22,381
<b>NET CURRENT ASSETS</b>			
		<b>24,331</b>	25,989
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Minority interest	11	<b>242</b>	—
		<b>24,089</b>	25,989
<b>Capital and reserves</b>			
Share capital	12	<b>3,410</b>	3,410
Reserves		<b>20,679</b>	22,579
		<b>24,089</b>	25,989

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 October	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash outflow from operating activities	(3,142)	(4,556)
Net cash inflow/(outflow) from investing activities	(314)	2,232
Net cash inflow/(outflow) from financing activities	<u>(19)</u>	<u>7,752</u>
(Decrease)/increase in cash and cash equivalents	(3,475)	5,428
Cash and cash equivalents at beginning of the period	<u>21,120</u>	<u>13,344</u>
Cash and cash equivalents at end of the period	<u><b>17,645</b></u>	<u><b>18,772</b></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
Premium arising on 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)
Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,364)</u>	<u>(1,364)</u>
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 2003	3,410	27,180	(200)	(4,401)	25,989
Loss attributable to shareholders	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,900)</u>	<u>(1,900)</u>
At 31 October 2003	<u>3,410</u>	<u>27,180</u>	<u>(200)</u>	<u>(6,301)</u>	<u>24,089</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 Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

## 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 2003.

## 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 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 2003 is presented below:

	Business, accounting and corporate development advisory services				Company secretarial services		Professional translation services		Funds management services		Information technologies consultancy services		Consolidated	
	2003		2002		2003		2002		2003		2002		2003	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>3,797</u>	<u>5,649</u>	<u>1,055</u>	<u>664</u>	<u>813</u>	<u>368</u>	<u>351</u>	<u>—</u>	<u>332</u>	<u>108</u>	<u>6,348</u>	<u>6,789</u>		
Segment result	<u>(418)</u>	<u>(394)</u>	<u>182</u>	<u>196</u>	<u>103</u>	<u>(89)</u>	<u>(395)</u>	<u>(60)</u>	<u>39</u>	<u>(5)</u>	<u>(489)</u>	<u>(352)</u>		
Other income													<u>10</u>	<u>59</u>
Interest income from short-term loans receivables													<u>—</u>	<u>90</u>
Unallocated corporate expenses													<u>(1,701)</u>	<u>(1,987)</u>
Loss from operations													<u>(2,180)</u>	<u>(2,190)</u>
Finance charge on obligations under hire purchase contracts													<u>(1)</u>	<u>(8)</u>
Share of results of associates													<u>334</u>	<u>424</u>
Loss before taxation													<u>(1,847)</u>	<u>(1,774)</u>
Taxation													<u>(53)</u>	<u>(68)</u>
Loss for the period													<u>(1,900)</u>	<u>(1,842)</u>
	As at 31 October 2003	As at 30 April 2003	As at 31 October 2003	As at 30 April 2003	As at 31 October 2003	As at 30 April 2003	As at 31 October 2003	As at 30 April 2003	As at 31 October 2003	As at 30 April 2003	As at 31 October 2003	As at 30 April 2003	As at 31 October 2003	As at 30 April 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS														
Segment assets	<u>853</u>	<u>1,238</u>	<u>831</u>	<u>355</u>	<u>618</u>	<u>524</u>	<u>1,329</u>	<u>—</u>	<u>364</u>	<u>105</u>	<u>3,995</u>	<u>2,222</u>		
Interests in associates											<u>1,404</u>	<u>1,124</u>		
Unallocated corporate assets											<u>20,984</u>	<u>25,457</u>		
Consolidated total assets											<u>26,383</u>	<u>28,803</u>		
LIABILITIES														
Segment liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>671</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>671</u>	<u>—</u>		
Unallocated corporate liabilities											<u>1,381</u>	<u>2,814</u>		
Consolidated total liabilities											<u>2,052</u>	<u>2,814</u>		

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 loss from operations	
	Six months ended 31 October		Six months ended 31 October	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	4,403	1,587	27	(1,716)
PRC	<u>1,946</u>	<u>5,202</u>	<u>(506)</u>	<u>1,513</u>
	<b>6,349</b>	<b>6,789</b>	<b>(479)</b>	<b>(203)</b>
Unallocated corporate expenses			<u>(1,701)</u>	<u>(1,987)</u>
			<b>(2,180)</b>	<b>(2,190)</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	
	2003 HK\$'000	2003 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	23,968	24,708	614	346
PRC	<u>2,415</u>	<u>4,095</u>	<u>—</u>	<u>807</u>
	<b>26,383</b>	<b>28,803</b>	<b>614</b>	<b>1,153</b>

#### 4. Loss from operations

	Six months ended 31 October	
	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs (Including directors' remuneration):		
Staff costs	2,521	3,193
Retirement benefits scheme contributions	<u>169</u>	<u>80</u>
	<b>2,690</b>	<b>3,273</b>
Depreciation of property, plant and equipment		
Owned assets	338	98
Assets held under hire purchase contracts	—	66
Property, plant and equipment written off	—	4
Operating lease in respect of the rented premises	<b>407</b>	<b>878</b>
And after crediting:		
Bank interest income	<u>1</u>	<u>6</u>

## 5. Directors' remuneration

	Six months ended 31 October	
	2003	2002
	HK\$'000	HK\$'000
Directors		
Executive directors		
Fees	—	—
Basic salaries and other benefits	480	750
Retirement benefits scheme contributions	12	12
	<u>492</u>	<u>762</u>
Independent non-executive directors fees	60	—
	<u>552</u>	<u>762</u>

## 6. Taxation

	Three months ended 31 October		Six months ended 31 October	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
Hong Kong profits tax	—	(90)	—	—
Share of taxation attributable to associates	(5)	48	53	68
	<u>(5)</u>	<u>(42)</u>	<u>53</u>	<u>68</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 31 October 2003 (2002: The Directors declared an interim dividend at HK\$0.002 per share for the three months ended 31 July 2002).

## 8. Loss per share

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

	Three months ended 31 October		Six months ended 31 October	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net loss for the period	<u>(2,004)</u>	<u>(2,802)</u>	<u>(1,900)</u>	<u>(1,842)</u>
Number of shares:				
Number of shares for the purpose of calculating basic loss per share	<u>341,020,000</u>	<u>341,003,695</u>	<u>341,020,000</u>	<u>337,351,521</u>

No diluted loss per share has been presented for the six months ended 31 October 2003 because the exercise of the Company's outstanding share options would have an anti-dilutive effect on the loss per share.



## 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 2003	866	545	834	282	2,527
Additions	177	371	65	—	613
At 31 October 2003	<u>1,043</u>	<u>916</u>	<u>899</u>	<u>282</u>	<u>3,140</u>
<b>Depreciation and amortisation</b>					
At 1 May 2003	165	167	260	51	643
Provided for the year	130	75	107	26	338
At 31 October 2003	<u>295</u>	<u>242</u>	<u>367</u>	<u>77</u>	<u>981</u>
<b>Net book values</b>					
At 31 October 2003	<u>748</u>	<u>674</u>	<u>532</u>	<u>205</u>	<u>2,159</u>
At 30 April 2003	<u>701</u>	<u>378</u>	<u>574</u>	<u>231</u>	<u>1,884</u>

The net book value of furniture and equipment and leasehold improvement includes an amount of nil (30 April 2003: HK\$243,000) 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 2003 <i>HK\$'000</i>	As at 30 April 2003 <i>HK\$'000</i>
The ageing analysis of debtors is as follows:		
0 — 60 days	1,056	1,496
61 — 90 days	240	303
Over 90 days	1,143	423
	<u>2,439</u>	<u>2,222</u>

## 11. Minority interest

	31 October 2003 <i>HK\$'000</i>	30 April 2002 <i>HK\$'000</i>
Amount due to a minority shareholder of a subsidiary	80	—
Share of net assets of a subsidiary by a minority shareholder	162	—
	<u>242</u>	<u>—</u>

## 12. Share capital

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each	1,000,000,000	10,000
Issued and fully paid:		
As at 31 October 2003 and 30 April 2003	<u>341,020,000</u>	<u>3,410</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review and results of operations

For the six months ended 31 October 2003, the Group recorded a total turnover of approximately HK\$6,348,000 and a loss attributable to shareholders of approximately HK\$1,900,000, as compared to a turnover of approximately HK\$6,789,000 and a loss attributable to shareholders of approximately HK\$1,842,000 for the same period last year.

The results of BMI were affected by the poor local economic condition. However, the Directors adopted active marketing policy to diversify the Group's revenue base and adopted stringent cost control policy to reduce the administrative expenses significantly by approximately 32.5%.

### Comments on segmental results

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

These advisory services continued to be affected by the economic downturn in Hong Kong. Some corporate development projects were temporarily suspended or postponed awaiting better economic conditions.

The advisory services strived to generate income on a recurring basis. The Directors believe that the performance of the advisory services will improve when economic conditions in Hong Kong swings back to normal.

During the period under review, the Group acquired a majority shareholding in BZR Capital Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO") to carry out type 6 regulated activity (advising on corporate finance), we set off our business to provide advice on corporate finance activities and intend to integrate this valuable expertise into our corporate development advisory service business. The Directors believe that the acquisition of BZR Capital Limited will enable us to diversify the Group's service portfolio, enhance the Group's position and succeed in our services. We expect that our corporate finance business will be an important signpost to direct the Group's strategies in the coming future.

#### *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 real estate, plant & machinery and intangible assets valuations for clients worldwide. During the period under review, BMI Appraisals achieved satisfactory performance in projects for listing and public documentation purposes. It completed five IPO valuation projects, four of which are Mainboard-listed companies and the remaining is a GEM-listed company. It also finished three valuation projects for public documentation purposes. As compared to the same period in 2002, the gross turnover of BMI Appraisals increased by more than 30%.

Apart from listing-related projects, BMI Appraisals has retained a diversified base of corporate clients engaging its valuation and consultancy services for asset revaluation, merger & acquisition, financing purposes and so on. Its professional team has been steadily expanded to cope with the increasing business potentials in the PRC market and the Asian-pacific region.

#### *Corporate communications services*

BMI Innovation Limited, our 30% owned associate, is currently providing financial public relations and corporate communication services as well as event management services to its clients. Maintaining good service quality and stable manpower, the team progressed steadily and

engaged with several new clients during the six months ended 30 October 2003. BMI Corporate Advisory (Shanghai) Limited, a wholly owned subsidiary of the Company, is engaging in the provision of investor relation services in Shanghai, the PRC. Active marketing strategy has been adopted since its establishment. With regards to the higher demand for listed companies to establish investor relations in Shanghai, together with the extensive client network of the Group in Hong Kong, the client base of this division in Shanghai is expanding. During the six months ended 30 October 2003, over 30 investor presentations, media conferences and investment seminars were organized. The two teams in both Hong Kong and Shanghai are working closely to provide financial public relations functions tailored for different corporate clients. Looking forward, the two teams will continually execute their active marketing plans.

#### *Funds management services*

During the period under review, BMI Funds Management Limited (“BMIF”), one of our wholly owned subsidiaries, has become a licenced corporation under the SFO to carry on type 4 regulated activity (advising on securities) and type 9 regulated activity (advising on asset management) and became a member of the Hong Kong Confederation of Insurance Brokers. BMIF is ready to assist investors to yield ideal financial returns through its investment methodologies and practical investment experiences.

#### *Professional translation services*

As compared with the last corresponding period, BMI Professional Translation Services Limited (“BMI Translation”), our wholly owned subsidiary specializing in providing translation services, recorded a substantial increase in its turnover and profit. BMI Translation was managed to make contributions to the Group’s turnover and profit.

In addition to its expertise in financial translation, BMI Translation was determined to diversify its services to legal, commercial and technical domains in order to better serve the assorted needs of clients and to boost business growth. We put prudent efforts in developing the markets and were positively received. We handled many projects of diversified natures for both local and regional clients and were successful in bringing steady income on top of the existing income stream from financial translation to the department.

During the period under review, the team was at a stage of consolidation. The team worked seamlessly to deliver quality services and demonstrated professionalism.

The department will leverage on the up trend in the economy to further expand our business and is committed to be an all-rounded market player in the translation industry.

#### **Prospects**

With years of development, BMI has demonstrated its ability to maintain quality service and to diversify into other areas of professional services. We are keen on developing solutions for our customers to realize their goals. The Directors expect that the new corporate finance and funds management services will be a strong impetus to the growth of the Group. We are ready to attain new milestones.

## 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. Set up a representative office in Guangzhou, the PRC

The set up of a representative office in Guangzhou, the PRC was postponed as the Directors consider that at present, the offices in Shenzhen is sufficient to cope with the business needs in the South China region

2. Continue to recruit additional professional staff to expand the business, accounting and corporate development advisory services

Recruited several professional staff specialized in corporate services, compliance and financial public relations to strengthen the Group's workforce

3. Continue to expand the valuation business and investment advisory services

New staff was employed for the valuation business, which has been developed continuously and contributed to the Group's revenue

The acquisition of a major shareholding in BZR Capital Limited, a licensed corporation under the SFO to carry out type 6 regulated activity (advising on Corporate Finance) enhanced the Group's corporate finance advisory services.

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

1. Continue to forge more alliance in Hong Kong, the PRC and Singapore

No additional alliance has been forged during the period

2. Continue to develop the alliance system in Singapore

The Directors travelled to Singapore to investigate the feasibility of establishing alliance system in Singapore

### **Enhancement of [bmixweb.com](http://bmixweb.com)**

1. Continue to enhance the functions, features and contents of [bmixweb.com](http://bmixweb.com)

New staff was recruited to improve the management of the Group's database and further develop relevant websites

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

**Actual business progress**

**Improvement of public awareness**

- |  |   |
|--|---|
| 1. Continue to participate in seminar/conferences in relation to the Group's core business                   | The Directors and senior management of the Group continued to participate in various seminars/conferences in relation to corporate development in the PRC |
| 2. Organise promotional campaigns to promote the Group's alliance system in the PRC, Singapore and New York. | The organisation of promotional campaigns was postponed as the Directors intend to concentrate resources in the PRC market                                |

**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 as stated in the prospectus of the Company dated 11 July 2001, the net proceeds would be sufficient to finance the Group's business plan up to the year ended 30 April 2003. As disclosed in the Company's previous annual reports, the Group had applied the proceeds as follows up to 30 April 2003:

<b>Scheduled projects</b>	<b>Intended use of funding up to 30 April 2003 <i>HK\$'000</i></b>	<b>Actual use of funding up to 30 April 2003 <i>HK\$'000</i></b>
1. Business development	8,100	5,823
2. Expansion of alliance network	1,200	639
3. Enhancement of bmixweb.com	3,400	306
4. Promotion of the Group's public awareness	2,000	1,451
<b>Total</b>	<b>14,700</b>	<b>8,219</b>

Out of the remaining net proceeds of approximately HK\$6,481,000, the Group has further utilised approximately HK\$2,553,000 for the six months ended 31 October 2003.

## **Liquidity, financial resources and capital structure**

As at 31 October 2003, the Group had net current assets of approximately HK\$20,768,000. The current assets comprised accounts receivables of approximately HK\$2,439,000, other receivables, deposits and prepayments of approximately HK\$2,472,000, and bank balances and cash of approximately HK\$17,645,000. The current liabilities comprised accrued charges of approximately HK\$1,583,000 and provision for taxation of approximately HK\$469,000. As at 31 October 2003, the Group did not have any borrowings.

The shareholders' equity of the Group as at 31 October 2003 was approximately HK\$24,089,000 (30 April 2003: HK\$25,989,000).

As at 31 October 2003, the Group had cash and bank balances of approximately HK\$17,645,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the bank and cash balance and internal generated funds.

## **Capital commitments**

As at 31 October 2003, The Group did not have any capital commitments and significant investments.

## **Material acquisition**

The Group acquired 60% shareholding of BZR Capital Limited during the period under review, a licensed corporation under the SFO to carry out type 6 regulated activity (advising on corporate finance).

## **Employee information**

As at 31 October 2003, the Group had 58 employees (2002: 54) in Hong Kong and the PRC.

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

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 2003, the Group had not pledged any asset to banks.

## **Foreign exchange exposure**

Cash and bank deposits of the Group are mainly denominated in Hong Kong dollars.

Transactions of the Group are mainly denominated either in Hong Kong dollars or Renminbi such that the Group does not have significant exposure to foreign exchange fluctuation.

## **Contingent liabilities**

As at 31 October 2003, the Group did not have any significant contingent liabilities.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 October 2003, the interest or short positions of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to Rule 5.40 of the GEM Listing Rules or Divisions 7 and 8 of Part XV of the SFO, were as follows:

### (a) Interests in the shares and underlying shares of the Company

Name of Directors	Capacity	Type of interest	Aggregate long position in the shares and underlying shares	Approximate % of the issued share capital
Lo Wah Wai	Interest of controlled corporations	Corporate	139,050,000 <i>Note (1)</i>	40.77
	Beneficial owner	Personal	23,000,000 <i>Note (2)</i>	6.74
Ip Yu Chak	Interest of controlled corporations	Corporate	69,220,000 <i>Note (3)</i>	20.30
	Beneficial owner	Personal	23,000,000 <i>Note (2)</i>	6.74

#### Notes:

- 61,890,000, 63,024,000 and 14,136,000 shares totaling 139,050,000 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.
- Options to subscribe for a total of 23,000,000 shares of the Company were granted to each of Mr. Lo Wah Wai and Mr. Ip Yu Chak. Details of options are stated under the section headed "Share Options" below.
- 62,380,000 and 6,840,000 shares totaling 69,220,000 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 the shares of an associated corporation of the Company**

<b>Name of Directors</b>	<b>Name of Associated Corporation</b>	<b>Capacity</b>	<b>Type of interest</b>	<b>Aggregate long position in the shares and underlying shares</b>	<b>Approximate % of the issued share capital</b>
Lo Wah Wai	BMI Innovation Limited	Interest of a controlled corporation	Corporate	28 <i>Note (i)</i>	28
Ip Yu Chak	BMI Innovation Limited	Interest of a controlled corporation	Corporate	21 <i>Note (ii)</i>	21

*Notes:*

- i. 28 shares are owned by Riverwood Down Limited (“RD”) which is incorporated in the British Virgin Islands and the entire issued share capital of RD is beneficially owned by Mr. Lo Wah Wai.
- ii. 21 shares are owned Golden Legacy Venture Limited, which is incorporated in the British Virgin Islands and the entire issued share capital of the company is beneficially owned by Mr. Ip Yu Chak.

**SHARE OPTIONS**

A share option scheme was adopted by the Company pursuant to a resolution passed on 4 July 2001 (the “2001 Scheme”) for the primary purpose of providing incentives to Directors and eligible employees. On 29 August 2002, the 2001 Scheme was terminated by shareholders of the Company and a new share option scheme (the “2002 Scheme”) was adopted pursuant to a resolution passed on that date.



Details of the movements in the share options during the six months ended 31 October 2003 under the 2001 and 2002 Schemes are as follows:

Name or category of participant	Share Option Scheme under which the options were granted	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 2003	Exercisable period	Subscription price per share of the Company HK\$
<i>(a) Directors</i>										
Lo Wah Wai	2001	26 July 2002	3,000,000	—	—	—	—	3,000,000	26 July 2002 — 25 July 2012	0.243
	2002	29 August 2002	10,000,000	—	—	—	—	10,000,000	29 August 2002 — 28 August 2012	0.245
	2002	11 August 2003	—	10,000,000 <i>Note (a)</i>	—	—	—	10,000,000	11 August 2003 — 10 August 2013	0.070
Ip Yu Chak	2001	26 July 2002	3,000,000	—	—	—	—	3,000,000	26 July 2002 — 25 July 2012	0.243
	2002	29 August 2002	10,000,000	—	—	—	—	10,000,000	29 August 2002 — 28 August 2012	0.245
	2002	11 August 2003	—	10,000,000 <i>Note (a)</i>	—	—	—	10,000,000	11 August 2003 — 10 August 2013	0.070
<i>(b) Employees, in aggregate</i>										
	2001	27 July 2001	850,000	—	—	—	—	850,000	27 July 2001 — 26 July 2011	0.250
	2001	1 February 2002	300,000	—	—	—	—	300,000	1 February 2002 — 31 January 2012	0.210
	2001	19 March 2002	8,165,000	—	—	—	—	8,165,000	19 March 2002 — 18 March 2012	0.219
	2001	27 March 2002	7,990,000	—	—	—	—	7,990,000	27 March 2002 — 26 March 2012	0.227
	2002	8 October 2003	—	12,000,000 <i>Note (b)</i>	—	—	—	12,000,000	8 October 2003 — 7 October 2013	0.0388
<i>(c) Others, in aggregate</i>										
	2002	8 October 2003	—	18,000,000 <i>Note (b)</i>	—	—	—	18,000,000	8 October 2003 — 7 October 2013	0.0388
			<b>43,305,000</b>	<b>50,000,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>93,305,000</b>		

Notes:

- (a) The grants of option to each of Lo Wah Wai and Ip Yu Chak were approved in the Annual General Meeting of the Company held on 11 August 2003, details of which have been disclosed in the circular dated 15 July 2003.
- (b) The closing price of the shares of the Company immediately before 8 October 2003 on which the share options were granted was HK\$0.034.

The Directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders.

## SUBSTANTIAL SHAREHOLDERS

As at 31 October 2003, the parties which had interests or short positions in the shares and underlying shares of the Company (other than a Director or a chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules, were as follows:

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

Name	Capacity	Type of interest	Aggregate long position in the shares and underlying shares	Approximate % of the issued share capital
Williamsburg Invest Limited	Beneficial owner	Corporate	61,890,000 <i>(Note)</i>	18.15
Mangreat Assets Corp.	Beneficial owner	Corporate	63,024,000 <i>(Note)</i>	18.48
B & M Associates Limited	Beneficial owner	Corporate	62,380,000 <i>(Note)</i>	18.29

*Note:*

These shareholdings have also been included as corporate interests of Directors as disclosed above.

## COMPETING INTERESTS

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

## SPONSOR'S INTERESTS

Pursuant to the agreement dated 11 July 2001 entered into between the Company and Core Pacific-Yamaichi Capital Limited ("CPY"), CPY received a fee for acting as the Company's retained sponsor for the period from 18 July 2001 to 30 April 2004. Such agreement was terminated on 1 June 2003 and Kim Eng Capital (Hong Kong) Limited ("Kim Eng Capital") was appointed as the new sponsor to the Company with effect from 1 June 2003.

Pursuant to the agreement dated 29 April 2003 entered into between the Company and Kim Eng Capital, Kim Eng Capital will receive a fee for acting as the Company's retained sponsor for the period from 1 June 2003 to 30 April 2004.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Committee”) with written terms of reference in July 2002. 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 the accounting principles and practices adopted by the Group and discussed with the management regarding internal controls and financial reporting matters including a review of the unaudited quarterly accounts for the six months ended 31 October 2003.

## **BOARD PRACTICES AND PROCEDURES**

During the six months ended 31 October 2003, 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 2003, 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, 11 December 2003