

INTERIM REPORT
2004



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

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This report, for which the directors of B M Intelligence International Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) 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 report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board of directors (the "Board" or the "Directors") of B M Intelligence International Limited ("BM Intelligence" or the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 31 October 2004 together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Three months ended 31 October		Six months ended 31 October	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	3,439	2,850	6,190	6,348
Cost of services provided		(2,357)	(2,663)	(4,318)	(5,041)
Gross profit		1,082	187	1,872	1,307
Other operating income		–	10	3	10
Administrative and operating expenses		(2,683)	(2,210)	(4,398)	(3,497)
Loss from operations	4	(1,601)	(2,013)	(2,523)	(2,180)
Finance charge on obligations under finance leases		(4)	–	(4)	(1)
Share of results of associates		370	4	665	334
Loss before taxation		(1,235)	(2,009)	(1,862)	(1,847)
Income tax expenses	6	(53)	5	(95)	(53)
Loss before minority interests		(1,288)	(2,004)	(1,957)	(1,900)
Minority interests		–	–	–	–
Loss attributable to shareholders		(1,288)	(2,004)	(1,957)	(1,900)
Dividends	7	–	–	–	–
Loss per share – basic	8	(0.38 cent)	(0.59 cent)	(0.57 cent)	(0.56 cent)

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 31 October 2004 HK\$'000	(Audited) As at 30 April 2004 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	1,461	1,177
Interests in associates		1,474	904
		<u>2,935</u>	<u>2,081</u>
Current assets			
Accounts receivables	10	2,514	2,721
Deposit, prepayment and other receivables		2,642	1,673
Amount due from an associate		389	267
Amount due from a minority shareholder of a subsidiary		110	134
Bank balances and cash		11,966	15,425
		<u>17,621</u>	<u>20,220</u>
Current liabilities			
Accrued charges and other payables		2,566	2,645
Amount due to an associate		–	38
Obligations under finance leases – due within one year		200	–
Taxation payable		91	95
		<u>2,857</u>	<u>2,778</u>
Net current assets		<u>14,764</u>	<u>17,442</u>
Total assets less current liabilities		<u>17,699</u>	<u>19,523</u>
Non-current liabilities			
Minority interests		212	212
Obligations under finance leases – due after one year		133	–
		<u>345</u>	<u>212</u>
		<u>17,354</u>	<u>19,311</u>
Capital and reserves			
Share capital	11	3,410	3,410
Reserves		13,944	15,901
		<u>17,354</u>	<u>19,311</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For Six months ended 31 October 2004 HK\$'000	For Six months ended 31 October 2003 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(3,222)	(3,142)
CASH USED IN INVESTING ACTIVITIES	(170)	(314)
CASH USED IN FINANCING ACTIVITIES	(67)	(19)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,459)	(3,475)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	15,425	21,120
CASH AND CASH EQUIVALENTS AT ENDED OF THE PERIOD	11,966	17,645

UNAUDITED CONSOLIDATED STATEMENT OF MOVEMENT IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 May 2003	3,410	27,180	(200)	(4,401)	25,989
Loss attributable to shareholders	—	—	—	(1,900)	(1,900)
At 31 October 2003	3,410	27,180	(200)	(6,301)	24,089
At 1 May 2004	3,410	27,180	(200)	(11,079)	19,311
Loss attributable to shareholders	—	—	—	(1,957)	(1,957)
At 31 October 2004	3,410	27,180	(200)	(13,036)	17,354

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 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 2004.

3. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into five operating divisions – corporate development and accounting advisory services, company secretarial services, translation services, information technologies services and wealth management 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 2004 is presented below:

	Corporate development and accounting advisory services		Company secretarial services		Translation services		Information technology services		Wealth management services		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	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
Turnover	1,667	3,797	1,433	1,055	1,549	813	301	332	1,240	351	6,190	6,348
Segment results	(670)	(418)	522	182	306	103	26	39	(947)	(395)	(763)	(489)
Other income											3	10
Unallocated corporate expenses											(1,763)	(1,701)
Loss from operations											(2,523)	(2,180)
Finance charge on obligations under finance leases											(4)	(1)
Share of results of associates											665	334
Loss before taxation											(1,862)	(1,847)
Income tax expenses											(95)	(53)
Loss before minority interests											(1,957)	(1,900)
Minority interests											-	-
Loss attributable to shareholders											(1,957)	(1,900)

3. Business and geographical segments (continued)

Geographical segments

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

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

	Turnover by geographical market Six months ended 31 October		Contribution to loss from operations Six months ended 31 October	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	5,077	4,403	(308)	27
PRC	1,113	1,946	(452)	(506)
	<u>6,190</u>	<u>6,349</u>	<u>(760)</u>	<u>(479)</u>
Unallocated corporate expenses			(1,763)	(1,701)
			<u>(2,523)</u>	<u>(2,180)</u>

4. Loss from operations

	Six months ended 31 October	
	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs (including directors' remuneration):		
Staff costs	3,488	2,521
Retirement benefits scheme contributions	182	169
	<u>3,670</u>	<u>2,690</u>
Auditors' remuneration	125	125
Depreciation of property, plant and equipment		
Owned assets	275	338
Assets held under finance leases	11	-
Operating lease in respect under rented premises	<u>508</u>	<u>407</u>

5. Directors' remuneration

	Six months ended 31 October	
	2004 HK\$'000	2003 HK\$'000
Independent non-executive directors fees	62	60
Non-executive director		
Basic salaries and other benefits	120	—
Retirement benefits scheme contributions	3	—
Executive directors		
Basic salaries and other benefits	450	480
Retirement benefits scheme contributions	9	12
	<u>644</u>	<u>552</u>

6. Income tax expenses

	Three months ended 31 October		Six months ended 31 October	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The charge comprises:-				
Hong Kong profits tax	—	—	—	—
Share of taxation attributable to associates	53	(5)	95	53
	<u>53</u>	<u>(5)</u>	<u>95</u>	<u>53</u>

7. Interim dividends

The Board does not recommend the payment of any interim dividends for the six months ended 31 October 2004. (2003: Nil)

8. Loss per share

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

	Three months ended 31 October		Six months ended 31 October	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Net loss for the period	<u>(1,288)</u>	<u>(2,004)</u>	<u>(1,957)</u>	<u>(1,900)</u>
Number of shares:				
Number of shares for the purpose of calculating basic loss per share	<u>341,020,000</u>	<u>341,020,000</u>	<u>341,020,000</u>	<u>341,020,000</u>

No diluted loss per share has been presented for the six months ended 31 October 2004 and 2003 as the potential ordinary shares outstanding had an anti-dilutive effect on the loss per share.

9. Property, plant and equipment

	Leasehold improvements	Furniture and equipment	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1 May 2004	184	929	928	2,041
Additions	195	169	206	570
At 31 October 2004	379	1,098	1,134	2,611
DEPRECIATION AND AMORTISATION				
At 1 May 2004	71	330	463	864
Provided for the period	71	92	123	286
At 31 October 2004	142	422	586	1,150
NET BOOK VALUE				
At 31 October 2004	237	676	548	1,461
At 30 April 2004	113	599	465	1,177

The net book value of furniture and equipment and leasehold improvements included an amount of approximately HK\$389,000 (30 April 2004 : Nil) respectively in respect of assets held under finance leases.

10. Accounts receivables

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

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

	As at 31 October 2004 HK\$'000	As at 30 April 2004 HK\$'000
0 – 60 days	1,306	1,407
61 – 90 days	269	312
Over 90 days	939	1,002
	2,514	2,721

11. Share capital

	No. of shares	HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each	1,000,000,000	10,000
<i>Issued and fully paid:</i>		
As at 31 October 2004 and 2003	341,020,000	3,410

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review and results of operations

For the six months ended 31 October 2004, the Group recorded a total turnover of approximately HK\$6,190,000 and a loss attributable to shareholders of approximately HK\$1,957,000, as compared to a turnover of approximately HK\$6,348,000 and a loss attributable to shareholders of approximately HK\$1,900,000 for the same period last year.

Comments on segmental results

Corporate development and accounting advisory services

In line with the Director's anticipation of a diminishing market and the Group's strategy of diversifying the scope of our services, the percentage of turnover of the division over the Group's turnover decreased from 60% to 27% when comparing with that of the last corresponding period. The division has successfully retained customers for recurring services and built networks of sourcing new transactions. Looking forward, the Directors are confident that the division will remain as a key source of new businesses to other divisions of the Group.

Company secretarial services

During the period under review, BMI Corporate Services Limited ("BMIC"), our wholly-owned subsidiary, recorded a pleasing growth in its turnover and a three-fold growth in its profit as compared with the corresponding period of the preceding year. These results were brought about by the economic upswing as well as the management's continued efforts in service quality enhancements. Looking forward, with the increased awareness of good corporate governance and the recent introduction of a new Code on Corporate Governance Practices issued by the Hong Kong Exchanges and Clearing Limited, BMIC shall concentrate its efforts and resources in this area of service. BMIC are confident in attaining a leading position in the area of service.

Professional translation services

During the period under review, BMI Professional Translation Services Limited ("BMIT"), our wholly-owned subsidiary, recorded a satisfactory growth in its turnover and profit and maintained a stable client base in both Hong Kong and the PRC. During the period under review, certain number of medium-scale financial and legal document translation were accomplished. And a substantial number of large-scale financial document translation are in progress and are expected to complete in the coming quarters. With the concerted efforts of the team, BMIT becomes the trusted language solutions partner of leading local and regional enterprises in their respective industries. Looking forward, we are confident in attaining better results in the coming period.

Wealth management services

BMI Funds Management Limited (“BMIF”), our wholly-owned subsidiary, recorded significant growths in its turnover, product range and number of advisers when compared with that of the corresponding period of the preceding year. It offers full-range of professional wealth management services to high net worth individuals as well as corporate clients.

During the period under review, BMIF relocated to a new office to accommodate for future expansion. By way of participation in exhibitions, road shows and seminars, BMIF has successfully increased public awareness of its products and services; thus, the marketing expenses incurred increased accordingly, which resulted in a net loss for the period.

Leveraging on the economic upswing, BMIF is set to build a larger adviser team and is also progressing to develop into a well-known wealth management company. Looking forward, with its platform being gradually built, it is ready to attain turnaround results in the periods to come.

Assets valuation services

BMI Appraisals Limited (“BMIA”), our 45%-owned associate, is an all-rounded valuation consulting company providing a wide range of professional valuation services, which cover real estate, plant & machinery and intangible assets valuations for clients worldwide. During the period under review, BMIA has successfully completed 1 valuation project for Main-board listing purposes and 4 valuation projects for public documentation purposes. The professional team of BMIA has been expanding to cope with the increasing business opportunities in the PRC market and the Asia-Pacific region. The Board believes that the performance of BMIA is satisfactory and will continue in the years to come.

Corporate communications services

BMI Innovation Limited (“BMII”), our 30%-owned associate, is a financial relation consultancy specialized in public relations and other corporate financing promotion. During the period under review, the segment of financial and corporate communication services recorded a steady growth in terms of business volume and professional sophistication. We have grasped the advantages of our extensive establishment in both Hong Kong and the PRC, especially in the region of Shanghai, as well as the status of being the only financial communications consultancy that is associated to a company listed on the Stock Exchange in expanding our customer base and service scope. Looking forwards, our wide range of services and extensive geographical penetration over the PRC will continue to bring us substantial business opportunities. With the steadfast support from the Group and our continuous effort on business development, we hope that our exclusive competitive edge could help realizing much more fruitful return for our shareholders in the coming year.

Prospects

With an improved economic outlook, the Directors would expect a continuous growth in demand for our professional advisory and consultancy services and are confident in managing a successful turnaround. The results for the period under review are encouraging. The growth in various business sectors such as corporate services, translation services and wealth management services have compensated for the decline in the corporate development and accounting advisory services, which used to be the key contributor to the group's turnover. Furthermore, the Group's gross profit for the period improved significantly. BM Intelligence aspires to be the preeminent provider of one-stop tailor-made professional advisory and consultancy services and shall continue to concentrate our resources and efforts on establishing a positive momentum for the future and maintaining our renowned excellence of professional service quality to differentiate our services amongst our competitors.

Liquidity, financial resources and capital structure

As at 31 October 2004, the Group had net current assets of approximately HK\$14,764,000. The current assets comprised accounts receivables of approximately HK\$2,514,000, other receivables, deposits and prepayments of approximately HK\$2,642,000, and bank balances and cash of approximately HK\$11,966,000. The current liabilities comprised accrued charges of approximately HK\$2,566,000 and provision for taxation of approximately HK\$91,000. As at 31 October 2004, the Group did not have any borrowings other than obligation under finance leases (30 April 2004: HK\$95,000).

The shareholders' equity of the Group as at 31 October 2004 decreased by approximately 10.13% to approximately HK\$17,354,000 (30 April 2004: HK\$19,311,000). The gearing ratio (calculated as the ratio of obligation under hire purchase contracts: shareholder's equity) of the Group as at 31 October 2004 was approximately 1.92% (30 April 2004: 0%).

Capital commitments and significant investments

As at 31 October 2004, the Group did not have any capital commitments and significant investments.

Financial resources

As at 31 October 2004, the Group had bank balances and cash of approximately HK\$11,966,000. 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 six months ended 31 October 2004.

Segmental information

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

Employee information

As at 31 October 2004, the Group had 37 employees (2003: 58) located in Hong Kong and Mainland China.

The Group is an equal opportunity employer, with the selection and promotion of individuals being based on suitability for the position offered. The remuneration and bonus level of the Group's employees are kept at a competitive level and determined upon the performance of individual employees within the Group's remuneration and bonus policies, which are reviewed frequently. The total remuneration of employee of the Group (including retirement benefits scheme contributions and directors' remuneration) for the period under review was approximately HK\$3,670,000 (2003: HK\$2,690,000).

In addition to medical coverage and mutual provident funds provided to the employees, or state-managed retirement benefit schemes for employees in the PRC, it is also the Group's policy to encourage employees to receive training and further education on an ongoing basis. It is the Group's policy to support employee to attending higher education programmes to ensure continuous enhancement in the quality of our services.

Charges on group's assets

As at 31 October, 2004, approximately HK\$389,000 of the assets of the Group were held under finance leases or pledged. (as at 30 April 2004: nil)

Details of future plans for material investment or capital assets

As at the date of this report, 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. The Directors considers the impacts of foreign exchange exposure of the Group is minimal.

Contingent liabilities

As at 31 October 2004, the Group did not have any contingent liabilities.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 October 2004, the interests and short positions of the directors, the chief executive and their respective associates in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required minimum standards of dealings by the directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Name of directors	Capacity	Type of interests	Aggregate long position in the shares and underlying shares	Approximate percentage of the issued share capital
Lo Wah Wai	Held by controlled corporation	Corporate	139,050,000 <i>(Note 1)</i>	40.77%
	Beneficial owner	Personal	31,000,000 <i>(Note 2)</i>	9.09%
Ip Yu Chak	Held by controlled corporation	Corporate	69,220,000 <i>(Note 3)</i>	20.30%
	Beneficial owner	Personal	31,000,000 <i>(Note 2)</i>	9.09%

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. WI, MA and HV are companies incorporated in the British Virgin Islands. The entire issued share capital of WI, MA and HV are wholly-owned by Mr. Lo Wah Wai.
- Options to subscribe for a total of 31,000,000 shares of the Company were granted to each of Mr. Lo Wah Wai and Mr. Ip Yu Chak.
- 62,380,000 and 6,840,000 shares are owned by B & M Associates Limited ("BM") and World Standard Development Limited ("WS") respectively. BM and WS are companies incorporated in the British Virgin Islands. The entire issued share capital of BM and WS are wholly-owned by Mr. Ip Yu Chak.

(b) Interests in shares in an associated corporation of the Company

Name of directors	Name of associated corporation	Nature of interests	Aggregate long position in the shares and underlying shares	Approximate percentage of the issued share capital
Lo Wah Wai	BMI Innovation Limited	Corporate	28 ordinary shares <i>(Note a)</i>	28%
Ip Yu Chak	BMI Innovation Limited	Corporate	21 ordinary shares <i>(Note b)</i>	21%

Notes:

- a. 28 ordinary shares are owned by Riverwood Down Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of Riverwood Down Limited is beneficially owned by Mr. Lo Wah Wai.
- b. 21 ordinary shares are owned by Golden Legacy Venture Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of Golden Legacy Venture Limited is beneficially owned by Mr. Ip Yu Chak.

Save as disclosed above, as at 31 October 2004, none of the directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed the following headed "Share Options", at no time during the six months ended 31 October 2004 were rights to acquire benefits by means of the acquisition of shares in the Company or any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

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 for a period of 10 years ending 3 July 2011. On 29 August 2002, the 2001 Scheme was terminated and a new share option scheme (the "2002 Scheme") was adopted pursuant to the resolution passed by shareholders of the Company.

Details of the movements in the share options granted and exercised during the six months ended 31 October 2004 under the 2001 and 2002 Share Option Schemes are as follows:

Name or category of participant	Share Option Scheme under which the options were granted	Date of grant	Outstanding	Granted	Exercised	Cancelled	Lapsed	Outstanding	Exercisable period	Subscription price per share of the Company HK\$
			as at 1 May 2004	during the period	during the period	during the period	during the period	as at 31 October 2004		
(a) Directors										
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	-	-	-	-	10,000,000	11 August 2003 - 10 August 2013	0.070
	2002	25 August 2004	-	8,000,000	-	-	-	8,000,000	25 August 2004 - 24 August 2014	0.045
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	-	-	-	-	10,000,000	11 August 2003 - 10 August 2013	0.070
	2002	25 August 2004	-	8,000,000	-	-	-	8,000,000	25 August 2004 - 24 August 2014	0.045
(b) Employees, in aggregate										
	2001	27 July 2001	445,000	-	-	-	-	445,000	27 July 2001 - 26 July 2011	0.250
	2001	19 March 2002	2,650,000	-	-	-	-	2,650,000	19 March 2002 - 18 March 2012	0.219
	2001	27 March 2002	5,495,000	-	-	-	-	5,495,000	27 March 2002 - 26 March 2012	0.227
	2002	8 October 2003	12,000,000	-	-	-	-	12,000,000	8 October 2003 - 7 October 2013	0.0338
(c) Others, in aggregate										
	2002	8 October 2003	18,000,000	-	-	-	-	18,000,000	8 October 2003 - 7 October 2013	0.0338
			<u>84,590,000</u>	<u>16,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,590,000</u>		

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 2004, other than the interests and short positions of the directors or chief executives of the Company disclosed above, persons or companies who had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in shares

Name of shareholder	Capacity	Type of interests	Aggregate long position in the shares and underlying shares	Approximate percentage 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 under the section headed "Directors' Interests in Securities" above.

Save as disclosed above, the directors or chief executives of the Company are not aware of any persons or corporations who, as at 31 October 2004, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

COMPETING INTERESTS

None of the directors or the management shareholders or the substantial shareholders of the Company, or any of their respective associates, (as defined under the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") on 4 July 2001 with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee currently comprises three independent non-executive directors being Mr. So Kwok Wai, Mr. Lee Kwong Tong and Mr. Lui Tin Nang.

The Committee has reviewed with the management accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 31 October 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied with rules 5.34 to 5.45 to the GEM Listing Rules concerning board practices and procedures throughout the six months ended 31 October 2004.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 31 October 2004, 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, 8 December 2004