

THIRD QUARTERLY REPORT
2004



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.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 for the purpose of giving information with regard to B M Intelligence International Limited. The directors of BM 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 announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months and for the nine months ended 31 January 2005 together with the unaudited comparative results for the corresponding periods in 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	3,134	2,565	9,324	8,913
Cost of services provided		(2,352)	(2,324)	(6,670)	(7,365)
Gross profit		782	241	2,654	1,548
Other revenue		6	3	9	13
Administrative expenses		(2,176)	(2,152)	(6,574)	(5,649)
Loss from operations		(1,388)	(1,908)	(3,911)	(4,088)
Finance charge on obligations under hire purchase contracts		(2)	–	(6)	(1)
Unrealised loss holding on other investment		(170)	–	(170)	–
Share of results of associates		164	380	829	714
Loss before taxation		(1,396)	(1,528)	(3,258)	(3,375)
Income tax expenses	3	(29)	(7)	(124)	(60)
Loss before minority interest		(1,425)	(1,535)	(3,382)	(3,435)
Minority interest		10	2	10	2
Loss attributable to shareholders		(1,415)	(1,533)	(3,372)	(3,433)
Loss per share	5				
Basic		(0.42 cent)	(0.45 cent)	(0.99 cent)	(1.00 cent)
Diluted		(0.38 cent)	N/A	(0.95 cent)	N/A

Notes:

1. Basis of preparation

The principal accounting policies adopted in the preparation of the unaudited results are in accordance with the accounting principles generally accepted in Hong Kong and the accounting standards issued by The Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention.

2. Turnover

Turnover represents the net amounts received and receivable from services provided by the Group to outside clients during the nine months ended 31 January 2005.

3. Income tax expenses

	Three months ended 31 January		Nine months ended 31 January	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
The charge comprises:				
Hong Kong profits tax	-	-	-	-
Share of taxation attributable to an associate	<u>29</u>	<u>7</u>	<u>124</u>	<u>60</u>
	<u>29</u>	<u>7</u>	<u>124</u>	<u>60</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the nine months ended 31 January 2005.

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

4. Dividend

The Directors do not recommend the payment of a dividend for the nine months ended 31 January 2005 (2004: Nil).

5. Loss per share

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

	Three months ended 31 January		Nine months ended 31 January	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Net loss for the period for the purpose of calculating basic and diluted loss per share	<u>(1,415)</u>	<u>(1,533)</u>	<u>(3,372)</u>	<u>(3,433)</u>
Number of shares:				
Number of shares for the purpose of basic loss per share	<u>341,020,000</u>	341,020,000	<u>341,020,000</u>	341,020,000
Effect of dilutive potential shares:				
Share options	<u>30,000,000</u>	N/A	<u>13,333,000</u>	N/A
Weighted average number of share for the purpose of calculating diluted loss per share	<u>371,020,000</u>	N/A	<u>354,353,000</u>	N/A

Diluted loss per shares for the three months and nine months ended 31 January 2004 has not been shown as the exercise price of the Company's outstanding share options were higher than the average market price of the shares of the Group.

6. Movements in reserves

Movements in the reserves of the Group during the nine months ended 31 January 2005 are set out as follows:

	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2004	27,180	(200)	(11,079)	15,901
Loss attributable to shareholders	–	–	(3,372)	(3,372)
At 31 January 2005	<u>27,180</u>	<u>(200)</u>	<u>(14,451)</u>	<u>12,529</u>
	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2003	27,180	(200)	(4,401)	22,579
Loss attributable to shareholders	–	–	(3,433)	(3,433)
At 31 January 2004	<u>27,180</u>	<u>(200)</u>	<u>(7,834)</u>	<u>19,146</u>

BUSINESS REVIEW AND OUTLOOK

Financial Review

For the nine months ended 31 January 2005, the Group recorded a total turnover of approximately HK\$9,324,000 and loss attributable to shareholders of approximately HK\$3,372,000 as compared to a turnover of approximately HK\$8,913,000 and a loss of approximately HK\$3,433,000 for the corresponding period last year.

Operation Review

Corporate development and accounting advisory services

In spite of the diminishing market as anticipated by the Directors, the division has retained customers for recurring services and built concrete and extensive networks for sourcing new transactions. Looking forward, the Directors are confident that the division will remain as one of the key source of new businesses for other divisions of the Group.

Company secretarial services

During the period under review, BMI Corporate Services Limited ("BMIC"), our wholly owned subsidiary, recorded steady growth in both its turnover and profits as compared with the corresponding period last year. During the period under review, BMIC endeavoured to the recruitment of talents, which is believed to be the key to future expansion and success. Looking forward, BMIC shall continue to concentrate its efforts and resources in the area of corporate governance service and is 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 an encouraging growth in its turnover and profit as compared to that of the last corresponding period. Coupled with the diversified service scope, BMIT constantly expand its professional team and upgrade its production facilities so as to enhance the production capacity during the period under review. With the concerted efforts of the team, BMIT proves to be a trusted language solutions partner of leading local and regional enterprises in their respective industries. Looking forward, we are confident in maintaining its market position and achieving better results in future.

Wealth management services

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

BMIF has endeavoured to expanding its team of professional advisors and has continued to increase public awareness of its products and services. Looking forward, BMIF shall leverage on the economic upswing as well as the platform built to progress to become a well-known wealth management company.

Assets valuation services

BMI Appraisals Limited (“BMIA”), our 45%-owned associate, is an all-rounded valuation consulting company providing a wide spectrum of professional services covering real estate, plant & machinery, business and intangible assets valuations for multinational clients.

BMIA has also been engaged by various corporate clients for asset revaluation, merger & acquisition, financing purposes and so on. During the period under review, BMIA has further expanded its scope of service and launched the mortgage valuation and share option valuation services. Its professional team has been steadily expanded to cope with the increasing business potentials in the PRC market and the Asian-pacific region. The Board believes that BMIA has achieved satisfactory performance.

Corporate communications services

In view of the reviewing period, BMI Innovation Limited (“BMII”), our 30% owned subsidiary, principally services in the area of financial public relations has undergone a period full of opportunities. Apart from providing media and investor relations services for local and PRC listed companies in their own regions, one of its main achievements attained during the reviewing period was the success we shared in organising a remarkable event – “2004 Globalization Engineering Consultancy Seminar cum 2nd HK-Shanghai Engineering Consultancy Seminar” – in which more than 100 engineering enterprises and government representatives from Shanghai participated.

Looking forward, BMII will try its best to further extend its affiliation network in other countries in order to cater the rising needs of cross border promotions of its clients and to further capture the fostering demand for promotion services between Mainland and Hong Kong.

Business Outlook

With the improved market condition and economic outlook, the Directors are expecting continuous growth in demand for our professional advisory and consultancy services. Known and positioned as a trusted one-stop tailor-made professional advisory and consultancy services provider, the Directors are confident in managing a successful turnaround. The results for the period under review have been encouraging. BM Intelligence 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 distinguish our services amongst our competitors.

DIRECTORS' INTERESTS IN EQUITY SECURITIES AND OPTIONS

As at 31 January 2005, 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 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 shares and underlying shares of the Company

Name of director	Capacity	Type of interest	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 (Note 1)	40.77%
	Beneficial owner	Personal	31,000,000 (Note 2)	9.09%
Ip Yu Chak	Held by controlled corporation	Corporate	69,220,000 (Note 3)	20.30%
	Beneficial owner	Personal	31,000,000 (Note 2)	9.09%
Wong Wai Tung	Beneficial owner	Personal	6,000,000 (Note 4)	1.76%

Notes:

1. 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.
2. 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.
3. 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.
4. Options to subscribe for a total of 5,995,000 shares of the Company were granted to Mr. Wong Wai Tung.

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

Name of director	Name of associated corporation	Type of interest	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 (Note a)	28%
Ip Yu Chak	BMI Innovation Limited	Corporate	21 ordinary shares (Note b)	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 January 2005, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 January 2005, 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 interest	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 (Note)	18.15%
Mangreat Assets Corp.	Beneficial owner	Corporate	63,024,000 (Note)	18.48%
B & M Associates Limited	Beneficial owner	Corporate	62,380,000 (Note)	18.29%

Note: These shareholdings have also been included as corporate interests of Directors as disclosed under the section headed "Directors' Interests in Equity Securities and Options" 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 January 2005, 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 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 with the businesses of the Group or has any other conflicts of interest with 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 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 results for the nine months ended 31 January 2005.

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 nine months ended 31 January 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 31 January 2005, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

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

Hong Kong, 7 March 2005