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# **BM** INTELLIGENCE

## **B M INTELLIGENCE INTERNATIONAL LIMITED**

**邦盟滙駿國際有限公司\***

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

**(Stock Code: 8158)**

**(i) VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO THE PROPOSED ACQUISITION OF  
THE SALE SHARES OF  
FD(H) INVESTMENTS LIMITED;  
AND  
(ii) CLARIFICATION ON THE DIRECTOR'S FEE OF  
NON-EXECUTIVE DIRECTOR**

**Financial adviser to the Company**

**Nuada Limited**

*Corporate Finance Advisory*

### **THE LOI**

On 25 February 2008, the Company announced that Million Profit has entered into the LOI with the FDH, a company wholly-owned by the Vendor, in relation to the intention of the acquisition in Shaanxi Aierfu Activtissue, a company incorporated in the PRC with limited liability. Pursuant to the LOI, a sum of HK\$6 million has been paid to FDH as partial payment of the Consideration. Regarding the details of the LOI, Shareholders are recommended to refer to the Company's announcement dated 25 February 2008.

### **THE S&P AGREEMENT**

On 25 June 2008, the S&P Agreement was entered between Million Profit and the Vendor to finalise the terms and conditions in relation to the Acquisition. Pursuant to the S&P Agreement, Million Profit has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose the Sales Shares, representing the entire issued capital of FDH, from the Vendor for a total consideration of HK\$190 million. The principal terms of the S&P Agreement are set out below in this announcement.

The Acquisition constitutes a very substantial acquisition on part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the approval by the Shareholders at the EGM. The EGM will be convened to consider and, if thought fit, approve, among other things, the S&P Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, FDH, the Vendor and its ultimate owners are third parties independent of the Company and its connected persons and do not hold any Shares as at the date of this announcement. No Shareholder has a material interest in the S&P Agreement, and therefore no Shareholder is required to abstain from voting on the resolution to approve the S&P Agreement and the transactions contemplated thereunder at the EGM.

A circular containing information in respect of (i) the details of the S&P Agreement; (ii) financial and other information on the Group; (iii) the business valuation report of Shaanxi Aierfu Activtissue prepared by an independent valuer; (iv) letters from reporting accountants and financial adviser of the Company in respect of the business valuation report of Shaanxi Aierfu Activtissue; and (v) the notice convening the EGM will be sent to the Shareholders as soon as possible in accordance with the GEM Listing Rules.

#### **CLARIFICATION ON THE DIRECTOR'S FEE OF NON-EXECUTIVE DIRECTOR**

Reference is made to the announcement dated 23 June 2008 in relation to chairman, non-executive Director, chief executive officer appointment, change of independent non-executive Directors, audit, nomination, remuneration committees members, authorized representative, compliance officer, company secretary, qualified accountant resignation. Due to inadvertent typographical error, the director's fee for Mr. Wong Sai Hung, Oscar, the chairman of the Company and the non-executive Director, should be HK\$715,000 per annum (which is covered by the appointment letter) without any bonus payment, instead of HK\$100,000 per annum.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 25 June 2008, pending the release of this announcement. **The trading in the Shares on the Stock Exchange will remain suspended pending release of an announcement in relation to placing of new Shares which are price sensitive in nature.**

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### **The principal terms of the S&P Agreement**

**Date:** 25 June 2008

#### **Parties**

**Purchaser:** Million Profit

**Vendor:** the Vendor

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons; (ii) the Vendor and its ultimate beneficial owners are not parties acting in concert with other Shareholders; and (iii) there was no prior business or other relationship between the Vendor and its ultimate beneficial owners with the Company and its connected persons.

#### **Assets to be acquired**

The Sale Shares, representing the entire issued share capital of FDH. Further information on FDH Group is set out under the section headed "INFORMATION ON FDH GROUP" in this announcement.

#### **Consideration and basis of the consideration**

The total consideration of HK\$190 million has been and shall be satisfied by the Million Profit in the following manners:

- (i) HK\$6 million has been paid by the Million Profit to FDH upon signing of the LOI;
- (ii) HK\$14 million in cash shall be paid by the Purchaser to the Vendor or its nominee(s) as further deposit and part payment of the Consideration on or before 30 July 2008;
- (iii) HK\$50 million in cash shall be paid by the Purchaser to the Vendor or its nominee(s) shall be satisfied as part payment of the Consideration upon Completion; and
- (iv) HK\$120 million by procuring the Company to issue the Convertible Bonds upon the Completion.

The consideration had been determined after arm's length negotiation between the Company and the Vendor with reference to, inter alia, (i) the overall future prospect in tissue engineering skin business in the PRC and the business prospects of Shaanxi Aierfu Activtissue and its

subsidiaries; (ii) the business value of the Shaanxi Aierfu Activtissue of approximately HK\$400 million; (iii) the opportunity for the Group to expand its business scope into tissue organ engineering field and biopharmaceutical and biocosmetic industries in the PRC; and (iv) the actual cash outlay is HK\$70 million whereas part of the consideration of HK\$120 million will be settled by the issue of the Convertible Bonds.

The cash portion of the Consideration of HK\$64 million for the Acquisition will be funded by internal cash resource of the Company.

### **Conditions**

The Purchaser shall and shall procure that its agents shall forthwith upon the signing of the S&P Agreement conduct such review of the assets, liabilities, operations and affairs of the FDH Group as it may reasonably consider appropriate and the Vendor shall provide and procure the FDH Group and its agents to provide such assistance as the Purchaser or its agents may reasonably require in connection with such review.

Completion shall be conditional upon and subject to:

- (a) the Purchaser being satisfied with the results of the due diligence review to be conducted;
- (b) the passing by the Shareholders of an ordinary resolution to approve the S&P Agreement and the transactions contemplated thereunder, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares at the EGM;
- (c) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the S&P Agreement and the transaction contemplated hereby and such other matter as may be reasonably required in relation to the business to be carried out by the FDH Group;
- (d) the obtaining of a valuation report (in form and substance satisfactory to the Purchaser) from a valuer appointed by the Purchaser and showing the value of the Shaanxi Aierfu Activtissue to be not less than HK\$400 million;
- (e) the warranties given by the Vendor under the S&P Agreement remaining true and accurate in all respects;
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares;
- (g) the Stock Exchange not holding the transactions contemplated by the S&P Agreement as a “reverse takeover” as defined in the GEM Listing Rules and not requiring to make a mandatory general offer for the entire issued Shares.

The Vendor uses its best endeavours to assist the Purchaser in connection with the due diligence review to be conducted and, in particular, shall procure that all information and documents required pursuant to the GEM Listing Rules, and other applicable rules, codes and regulations whether in connection with the preparation of all circulars, reports, documents,

independent advice or otherwise are duly given promptly to the Purchaser, the Company, the Stock Exchange, the SFC and other relevant regulatory authorities. The conditions (a), (b), (f) and (g) set out above are incapable of being waived.

### **Completion**

The completion date of the S&P Agreement will be on the date falling seven Business Days after the fulfillment of the conditions of the S&P Agreement (the "Completion Date"). If the conditions of the S&P Agreement have not been satisfied on or before 4:00 p.m. on 30 September 2008, or such later date as the Vendor and the Purchaser may agree, the S&P Agreement shall cease and determine and the Vendor shall forthwith after such cessation and determination, refund any deposit paid by the Purchaser pursuant to the S&P Agreement, without interest, to the Purchaser, and thereafter neither party shall have any obligations and liabilities towards each other.

After the Completion, the Vendor shall at its costs to procure the Reorganisation be proceeded as expeditiously as possible and the completion of the Reorganisation be taken place within 45 Business Days after the Completion Date or such later date as the Vendor and the Purchaser may agree.

In the event that the above condition has not been satisfied within 45 Business Days after the Completion Date or such later date as the Vendor and the Purchaser may agree, the Vendor shall forthwith return the original copy of the certificate of the Convertible Bonds to the Company for cancellation and refund HK\$64 million, without interest, to the Purchaser as liquidated damages (but not as penalty) and in full and final settlement of any liabilities of the Vendor towards the Purchaser under the S&P Agreement and whereupon the Purchaser shall not take any action to claim for damages or to enforce specific performance or any other rights and remedies against the Vendor and/or the Company.

### **Undertaking given by the Vendor**

The Vendor hereby undertakes with the Purchaser that, among others, (i) except as required by the S&P Agreement or in the ordinary and usual course of business of FDH, no resolution of the directors or members of any member of the FDH shall be passed prior to Completion without the prior written consent of the Purchaser (such consent shall not be unreasonably withheld); (ii) with the Purchaser that until Completion FDH shall carry on its business in a manner consistent with its existing practice and shall procure that FDH shall not without first obtaining the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed) enter into any contract or commitment of an unusual or onerous nature or other than in the normal and ordinary course of business; and keep the Purchaser reasonably informed of all matters relating to the FDH Group, its business, assets and prospects.

## **TERMS OF THE CONVERTIBLE BONDS**

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

### **Issuer**

The Company

### **Principal amount**

HK\$120 million

### **Interest**

No interest shall be payable on the Convertible Bonds.

### **Maturity Date**

The 2nd anniversary of the date of issue of the Convertible Bonds, such date being a Business Day and if such date not being a Business Day, the immediately next Business Day.

### **Conversion**

- (i) The bondholder shall have the right, at the sole option of such holder, at any time during the Conversion Period to convert the Convertible Bonds held by such holder in whole, or in any part representing at least HK\$900,000.00 of the outstanding principal amount of the Convertible Bonds into fully-paid Shares, calculated for each conversion to be the greatest number of Shares, disregarding fractions, obtainable by dividing the aggregate principal amount of the Convertible Bonds to be converted, by the applicable Conversion Price applying at the relevant time, determined as hereinafter provided, in effect on the relevant date of the conversion. Any issue of Shares upon conversion of the Convertible Bonds or any repayment and redemption of the Convertible Bonds according to the conditions under the Convertible Bonds shall be made on the basis of the outstanding principal amount of the Convertible Bonds. In the event that at any time the outstanding principal amount of a Convertible Bonds is less than HK\$900,000.00, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.
- (ii) The Company shall not accept any Conversion Notice and shall not issue any Conversion Shares thereof if, upon such issue, the Vendor and the parties acting in concert with it shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion.

### **Conversion restriction**

Notwithstanding the conversion rights attaching to the Convertible Bonds for the period starting from the date of Completion up to the date falling on the 2nd anniversary of the date of Completion, the Vendor (and/or its designated nominee(s)) shall not convert any

Convertible Bonds and the Company shall not issue any Conversion Shares if, upon such issue, the Vendor and the parties acting in concert with it, shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion.

The Stock Exchange has raised the concern that the Company may not maintain 25% public float of the Shares upon the full exercise of the conversion rights attaching to the Convertible Bonds. The Company and the Vendor have agreed to enter into a supplemental agreement regarding the addition of a conversion restriction in the conditions of the S&P Agreement so that no conversion of the Convertible Bonds can be made at any time when the Company cannot maintain 25% public float as a result of such conversion. The Company will make further announcement when the Company and the Vendor have executed the supplemental agreement.

### **Conversion Price**

The Convertible Bonds shall be converted at the Conversion Price of HK\$0.03 per Conversion Share, subject to adjustment upon the occurrence of subdivision or consolidation of Shares, capitalization issue, rights issue, capital distribution and other equity or equity derivatives issues.

The Conversion Price of HK\$0.03 per Conversion Share represents (i) a discount of approximately 90.32% to the closing price of HK\$0.310 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of approximately 89.21% to the average of the closing prices of HK\$0.278 per Share for the 5 consecutive trading days up to and including the Last Trading Date; (iii) a discount of approximately 88.97% to the average of the closing prices of HK\$0.272 per Share for the 30 consecutive trading days up to and including the Last Trading Date; and (iv) a premium of approximately 42.86% and approximately 7.14% over the net asset value of HK\$0.021 per Share as at 31 October 2007 and HK\$0.028 per Share as at 30 April 2008.

Assuming exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price of HK\$0.03 per Conversion Share by the bondholder, the Company will allot and issue an aggregate of 4,000 million new Shares, representing approximately (i) 210.44% of the existing issued share capital of the Company; and (ii) 67.79% of the issued share capital of the Company as enlarged by the exercise in full of the conversion rights attaching to the Convertible Bonds. The Conversion Shares will be issued pursuant to a specific mandate to be sought at the EGM.

Having considered (i) the estimated business value of the Shaanxi Aierfu Activtissue will not be less than HK\$400 million; (ii) the cash outlay is only HK\$70 million for the Acquisition; and (iii) the net asset value per Share of approximately HK0.021 as at 31 October 2007 and approximately HK\$0.028 as at 30 April 2008, the Board is of the view that the Conversion Price of HK\$0.03 per Conversion Share is fair and reasonable.

## **Ranking**

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares.

## **Transferability**

The Convertible Bonds or any part(s) thereof may be assigned or transferred to any third party during the period commencing from the date of such issue and until the tenth Business Day prior to the Maturity Date (as defined above), subject to the conditions, approvals, requirements and any other provisions of or under (i) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations; (ii) the approval for listing in respect of the Conversion Shares; and (iii) all applicable laws and regulations, or any others as disclosed in the instrument.

If the Convertible Bonds are transferred to a connected person (as defined in the GEM Listing Rules) (except the transfer of the Convertible Bonds to the holding company or subsidiary of the bond holder) of the Company or its associate(s) (as defined in the GEM Listing Rules), the Company shall immediately notify the Stock Exchange and all such transfer shall be made subject to prior approval of the Stock Exchange and full compliance with the GEM Listing Rules.

## **Voting rights**

The holders of the Convertible Bonds shall not be entitled to receive notices of, attend or vote at any meetings of the Company.

## **Listing**

The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

In view of the potential dilution effect upon exercise of the conversion rights attaching to the Convertible Bonds, the Company is required to disclose by way of announcement all relevant details of the conversion of the Convertible Bonds in the following manner:

- (i) the Company will make a monthly announcement (“Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
  - a. whether there is any conversion of the Convertible Bonds during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
  - b. the amount of outstanding Convertible Bonds after the conversion, if any;

- c. the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
  - d. the total issued share capital of the Company as at the commencement and the last day of the relevant month;
- (ii) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be); and
- (iii) if the Company forms the view that any issue of Conversion Shares will trigger the disclosure requirements under Rule 17.10 of the Listing Rules, then the Company is obliged to make such disclosure regardless of the issue of any announcements in relation to the Convertible Bonds as mentioned in (i) and (ii) above.

## **INFORMATION ON FDH GROUP**

FDH was incorporated in the British Virgin Islands on 21 August 2007 and is an investment holdings company. After the completion of the Reorganisation, the major asset of FDH is the 51% equity interest in Shaanxi Aierfu Activtissue.

Shaanxi Aierfu Activtissue is a company incorporated in PRC with limited liability since 2002. The business of Shaanxi Aierfu Activtissue and its subsidiaries include development and research of medical engineering, biological engineering and tissue engineering. The research and development of tissue engineering products and its commercialization is designated as one of the pivotal projects by China Central Government “863 High-Tech Program” from the Ministry of Science & Technology. Upon Reorganization, Shaanxi Aierfu Activtissue will be interested in 51% shareholding of its subsidiaries, namely 陝西艾美雅生物科技有限公司 (Shaanxi Aimeiya Bio-Techology Company Limited\*), 陝西艾爾膚博生生物工程有限公司 (Shaanxi Aierfu Bosheng Biological Engineering Company Limited\*) and 陝西艾爾膚角膜工程有限公司 (Shaanxi Aierfu Cornea Engineering Company Limited\*), those are incorporated in the PRC with limited liability.

According to the management of Shaanxi Aierfu Activtissue, in order to bring the tissue engineering skin and other tissue engineering products to the patients, Shaanxi Aierfu Activtissue has cooperated with the Forth Military Medical University and with 解放軍總醫院燒傷整形醫院 (General Hospital of People’s Liberation Army of China) to concentrate on close academic collaboration, focused research and high productivity. The Tissue Engineering Skin “安體膚” (Activskin\*) (the “Activskin”) is the major product of Shaanxi Aierfu Activtissue,

all the sample testing and standards verifications by drug testing institute, including clinical trial has been approved by the Registration Certificate for Medical Device issued by the State Food and Drug Administration of the PRC on 13 November 2007. Activskin is expected to be in mass production once the manufacturing facilities are ready in year 2009. Activskin can be widely used to cure injuries due to accidents or diseases occurring from infection, ulcer, burn, complication of surgeries or congenital abnormalities.

Save for the Activskin, Shaanxi Aierfu Activtissue has two other products which are under development. These products are currently under clinical trails and are expected to release to the market in 2009 according to the management of Shaanxi Aierfu Activtissue.

In the past ten years, more than US\$3.5 billion has been invested in worldwide research and development in tissue engineering. In 2001, the demand for the tissue engineered products was approximately US\$625 to US\$800 million worldwide, and yet the supply of such products was only approximately US\$20 million. The potential market of the tissue engineered products are huge.

FDH has not commenced business since the date of incorporation. As a condition under the S&P Agreement, the business value of the Shaanxi Aierfu Activtissue shall not be less than HK\$400 million. Shaanxi Aierfu Activtissue was at the research and development stage of its products since the date of incorporation. Shaanxi Aierfu Activtissue will expect to generate revenue after its commercial products are launched in year 2009. Shaanxi Aierfu Activtissue has signed a sale contract with 解放軍總醫院燒傷整形醫院 (General Hospital of People's Liberation Army of China) for the sale of Activskin.

According to the independent valuer, the fair market value of Shaanxi Aierfu Activtissue was developed through the application of the income approach technique known as the discount cash flow method. The basis of the forecast upon which the valuation is made includes the business plan of Shaanxi Aierfu Activtissue, the sales contract of Shaanxi Aierfu Activtissue signed with 解放軍總醫院燒傷整形醫院 (General Hospital of People's Liberation Army of China) and plan to seek contracts with other hospitals in PRC for the revenue to be generated by Shaanxi Aierfu Activtissue and the relevant market research information. Such valuation is for the business enterprise of Shaanxi Aierfu Activtissue and the PRC subsidiaries. FDH was not included in such valuation.

According to the unaudited consolidated financial results of FDH Group, prepared in accordance with Hong Kong Financial Reporting Standards, the loss before and after taxation were recorded HK\$47,542 and HK\$951,276 for the financial period from 21 August 2007 (being the date of incorporation) to 31 December 2007 and for the financial period from 1 January 2008 to 31 March 2008 respectively. Net liabilities of approximately HK\$998,038 was recorded as at 31 March 2008.

According to the unaudited consolidated financial results of Shaanxi Aierfu Activtissue, prepared in accordance with Hong Kong Financial Reporting Standards, the loss before and after taxation for the two financial years ended 31 December 2006 and 2007 were RMB6,716,554 and RMB5,451,409 respectively and the loss after taxation for the period ended 31 March 2008 was RMB2,414,044. As at 31 March 2008, Shaanxi Aierfu Activtissue recorded the net liabilities of approximately RMB16,522,100.

Notwithstanding the FDH Group recorded operating losses since the date of incorporation and had net liabilities as at 31 March 2008, the Directors consider the Acquisition is fair and reasonable provided that (i) the products of FDH Group will be in mass production next year; (ii) the sales contracts signed between the Company and 解放軍總醫院燒傷整形醫院 (General Hospital of People's Liberation Army of China) and plan to seek contracts with other hospitals in PRC for the future revenue; and (iii) the fair market value of the FDH Group shall not be less than HK\$400 million provided that the Company will beneficial interested in 51% FDH Group upon Completion. Upon Completion, the FDH Group will become a subsidiary of the Group and its accounts will be consolidated into the Group.

## **REASONS FOR THE ACQUISITION AND FUTURE PROSPECT**

The Company is an investment holding company and the principal activities of the Group are consisted of the provision of business, accounting and corporate development advisory services, company secretarial services, translation services and funds and wealth management services. Upon completion of the disposal of BMI Appraisals Limited, BMI Surveyors Limited and Serviced Offices Asia Limited, the principal activities of the remaining Group would comprise three business segments, which are (i) professional translation services; (ii) company secretarial; and (iii) business, accounting, and corporate development advisory services. Shareholders are recommended to refer to the Company's announcement dated 27 May 2008 for details.

According to the annual report of the Company for the year ended 30 April 2008, the Group's audited turnover for the year ended 30 April 2008 and 30 April 2007 were approximately HK\$88.76 million and HK\$64.95 million respectively; while its audited loss for the year ended 30 April 2008 and 30 April 2007 were approximately HK\$3.46 million and HK\$0.37 million respectively. The increase in revenue was mainly attributed to our business segment of Funds and Wealth Management Services. However, the increase in loss for the year was due to the increase in the staff costs and office rental for the expansion in the number of staff and the impairment loss on available-for-sale financial assets recognised during the year.

The Shaanxi Aierfu Activtissue is the first private high-tech company specialized in the research and development of tissue engineering of medical regeneration field and its industrialization. As the first biotechnology company in China dedicated to the research and development of tissue engineering products and its commercialization, Shaanxi Aierfu Activtissue is financially supported by various programs from Central Government of China, such as (i) "863 High-Tech Program", a well-known campaign announced by the Central Government of China in 1986; (ii) the Army and the Forth Military Medical University; (iii) the Small and Medium Enterprise Innovative Fund from the Ministry of Science and Technology of China; (iv) the State Natural Science Fund; (v) Shaanxi Province and Xi'an Science and Technology Bureau; and (vi) the Department of High-tech Industrialization of Development and Reform Commission in China.

The Shaanxi Aierfu Activtissue focus on the research and development of human tissue or organ substitutes, repair and improvement. It aimed to develop key technologies and products related to tissue engineering, stem cells, human blood substitute and xenotransplantation, establish key technology platforms and related technical standards, promote the shaping of

the national tissue (organ) engineering research system, and improve China's overall research capability in this aspect. This program has been initiated by the Central Government of China in year 2002 as 863 High-Tech Program.

It is the intention of the Company that the existing principal activities of the Group will remain unchanged and there will be no material changes to the management of the Group following the Acquisition. Upon Completion, the Company may appoint directors to nominate the board of FDH. As the existing management of the Group does not have the relevant experience and expertise in operating the tissue organ engineering business, the existing personnel of Shaanxi Aierfu Activtissue will be retained for the daily operation for the company, and where appropriate, suitable new personnel will be recruited in the future.

Having considered and reviewed the existing operation and financial results of the Group, the Board has been active in seeking opportunities to explore other possible investment to diversify the Group's revenue streams in order to enhance shareholder's returns and the investment value of the Group. The Directors are attracted by the future development of tissue engineering industry and are optimistic about the future prospect of the Shaanxi Aierfu Activtissue in the PRC. The Board is of the view that the Acquisition will be a valuable opportunity for the Company to tap into the biopharmaceutical and biocosmetic industries while to increase the value of the Company, which are in the interests of the Company and the Shareholders as a whole. Furthermore, taking into account the support by the national and local governments in developing tissue engineering business in the PRC, the Directors consider that the Acquisition will enable the Group to capture potential opportunities in tissue organ engineering business in the PRC and to explore investment opportunity to strengthen the business profile of the Group. Having taking into account the above reasons, the Directors consider that the Acquisition and the terms of the S&P Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

## SHAREHOLDING STRUCTURE

The effect on the shareholding structure of the Company assuming (i) the completion of the disposal of 515,200,000 Shares by Mr. Lo, the substantial Shareholder, to One Express Group Limited; and (ii) the allotment and issue of the Conversion Shares pursuant to the S&P Agreement are illustrated below:

	As at the date of this announcement		Upon completion of the disposal of 515,200,000 Shares by Mr. Lo, the substantial Shareholder, to One Express Group Limited		Immediately after the allotment and issue of Conversion Shares		Immediately after the allotment and issue of Conversion Shares to the extent the interest of the Vendor in the Company would not exceed 30% of the issued share capital of the Company	
	(Number of Shares)	%	(Number of Shares)	%	(Number of Shares) (Note 3)	%	(Number of Shares) (Note 3)	%
Mr. Lo Wa Wai ("Mr. Lo") (Note 1)	515,200,000	27.10	—	—	—	—	—	—
One Express Group Limited (Note 2)	—	—	515,200,000	27.10	515,200,000	8.73	515,200,000	18.98
The Vendor	—	—	—	—	4,000,000,000	67.79	814,249,276	29.99
Public Shareholders	1,385,620,000	72.90	1,385,620,000	72.90	1,385,620,000	23.48	1,385,620,000	51.03
<b>Total</b>	<b>1,900,820,000</b>	<b>100.00</b>	<b>1,900,820,000</b>	<b>100.00</b>	<b>5,900,820,000</b>	<b>100.00</b>	<b>2,715,069,276</b>	<b>100.00</b>

### Notes:

- These Shares are held by Mr. Lo directly through three of his wholly-owned subsidiaries (as to 206,560,000 Shares by Williamsburg Invest Limited, 252,096,000 Shares by Mangreat Assets Corp. and 56,544,000 Shares by Homelink Venture Corp.). On 21 May 2008, the Company announced that the substantial Shareholders entered in to the sale and purchase agreement pursuant to which Mr. Lo agreed to sell 515,200,000 Shares to One Express Group Limited. For details of the transaction, please refer to the Company's announcement dated 27 May 2008. Such sale and purchase agreement has not been completed as at the date of this announcement.
- One Express Group Limited is a company wholly-owned by PME Group Limited (Stock Code: 379), a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange.
- For illustration purpose only, the Company shall not issue any Conversion Shares if, upon such issue, the Vendor and the parties acting in concert with it, shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion or the Company will not issue Conversion Shares if such issue will cause the public float of the Company to fall below the minimum requirement under the GEM Listing Rules.

Save for the 280,000,000 outstanding share options, there are no other outstanding options, warrants or securities convertible into the Shares or other securities of the Company as at the date of this announcement.

## **MAINTAINING THE LISTING STATUS OF THE COMPANY**

Should the Convertible Bonds is exercised in full, the Company, the Directors and the Vendor will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the Shares will be held by the public at all times.

The Stock Exchange has indicated that if, upon exercise of the conversion rights attached to the Convertible Bonds, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

- i. a false market exists or may exist in the Shares; or
- ii. there are insufficient Shares in public hands to maintain an orderly market

it will consider exercising its discretion to suspend trading in the Shares.

Pursuant to the GEM Listing Rules, the Company is required to maintain the public float which is a minimum prescribed percentage of 25% of the issued Shares to be in the hands of the public.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

The Acquisition constitutes a very substantial acquisition on part of the Company under Chapter 19 of the GEM Listing Rules, is subject to the approval by the Shareholders at the EGM. The EGM will be convened to consider and, if thought fit, approve, among other things, the S&P Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, FDH and its ultimate owners are third parties independent of the Company and its connected persons and do not hold any Shares as at the date of this announcement. No Shareholder has a material interest in the S&P Agreement, and therefore no Shareholder is required to abstain from voting on the resolution to approve the S&P Agreement and the transactions contemplated thereunder at the EGM.

A circular containing information in respect of (i) the details of the S&P Agreement; (ii) financial and other information on the Group; (iii) the business valuation report of Shaanxi Aierfu Activtissue prepared by an independent valuer; (iv) letters from reporting accountants and financial adviser of the Company in respect of the business valuation report of Shaanxi Aierfu Activtissue; and (v) the notice convening the EGM will be sent to the Shareholders as soon as possible in accordance with the GEM Listing Rules.

## **CLARIFICATION ON THE DIRECTOR'S FEE OF NON-EXECUTIVE DIRECTOR**

Reference is made to the announcement dated 23 June 2008 in relation to chairman, non-executive Director, chief executive officer appointment, change of independent non-executive Directors, audit, nomination, remuneration committees members, authorized representative, compliance officer, company secretary, qualified accountant resignation. Due to inadvertent typographical error, the director's fee for Mr. Wong Sai Hung, Oscar, the chairman of the Company and the non-executive Director, should be HK\$715,000 per annum (which is covered by the appointment letter) without any bonus payment, instead of HK\$100,000 per annum.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 25 June 2008, pending the release of this announcement. **The trading in the Shares on the Stock Exchange will remain suspended pending release of an announcement in relation to placing of new Shares which are price sensitive in nature.**

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor subject to and upon the terms and conditions of the S&P Agreement
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	B M Intelligence International Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on GEM
“Completion”	completion of the Acquisition
“connected persons”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	in sum of HK\$190 million
“Conversion Notice”	the notice of conversion given by the holders of the Convertible Bonds to the Company
“Conversion Period”	the period commencing from the issue date of the Convertible Bonds and ending on the date that falls on the fifth day immediately before the maturity date, both dates inclusive
“Conversion Price”	the initial conversion price of HK\$0.03 per Conversion Share, subject to adjustments pursuant to the terms of the Convertible Bonds
“Conversion Rights”	the rights of the holder(s) of the Convertible Bonds to subscribe fully paid Shares
“Conversion Shares”	a maximum of 4,000,000,000 new Shares to be issued upon exercise of the conversion rights under the Convertible Bonds from time to time pursuant to the S&P Agreement

“Convertible Bonds	the convertible bonds in aggregate principal amount of HK\$120,000,000.00 to be issued by the Company to the Vendor and/or its designated nominee(s) as part of the consideration for the purchaser of the Sale Shares pursuant to the instrument
“Directors”	directors of the Company
“EGM”	a extraordinary general meeting of Company to be convened and held of an ordinary resolution to approve the S&P Agreement and the transactions contemplated thereunder, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares arising from the conversion of the Convertible Bonds and the transactions contemplated thereunder
“FDH”	FD(H) Investments Limited, a company incorporated in the British Virgin Islands on 21 August 2007, is wholly and beneficially owned by the Vendor
“FDH Group”	FDH and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	24 June 2008, being the last trading day of the Shares on the Stock Exchange prior to the release of this announcement
“LOI”	the letter of intent entered into between the Purchaser and the Vendor on 25 February 2008 in relation to the Acquisition
“Million Profit” or “Purchaser”	Million Profit Group Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“PRC Subsidiaries”	comprising 陝西艾美雅生物科技有限公司 (Shaanxi Aimeiya Bio-Techology Company Limited*), 陝西艾爾膚博生生物工程有限公司 (Shaanxi Aierfu Bosheng Biological Engineering Company Limited*) and 陝西艾爾膚角膜工程有限公司 (Shaanxi Aierfu Cornea Engineering Company Limited*), the companies established under the laws of PRC and will, following completion of the Reorganisation, be respectively owned as to 51% of its equity interests by the Shaanxi Aierfu Activtissue
“Reorganization”	the reorganization of the FDH Group pursuant to which (i) the Shaanxi Aierfu Activtissue will be reorganized as a sino-foreign equity joint venture owned as to 51% by the FDH; and (ii) the PRC Subsidiaries will be reorganized so that 51% of their equity interests shall be owned by Shaanxi Aierfu Activtissue respectively
“Sale Shares”	100 issued ordinary shares of FDH with a par value of US\$1.00 each, representing the entire issued share capital of FDH
“SFC”	the Securities and Future Commission of Hong Kong
“Shaanxi Aierfu Activtissue”	陝西艾爾膚組織工程有限公司 (Shaanxi Aierfu Activtissue Engineering Company Limited*)
“Shaanxi Aierfu Activtissue Acquisition Agreement”	the share acquisition agreement entered into between the FDH and various shareholders of Shaanxi Aierfu Activtissue dated 19 February 2008 in relation to, among other matters, the acquisition 51% of shareholding in Shaanxi Aierfu Activtissue by the FDH
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreement”	an agreement dated 25 June 2008 entered into among the Purchaser and the Vendor in respect of the Acquisition
“U.S.”	United States of America
“Vendor”	All Favour Holdings Limited, a company incorporated in the British Virgin Islands with limited liabilities and beneficially owned by Mr. Woo Hing Keung Lawrence, Ms. Wan Fang Li and Mr. Lin Hoi Kwong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB”

Renminbi, the lawful currency of the PRC

“%”

per cent.

By order of the Board

**Yu Sau Lai**

*Executive Director*

Hong Kong, 14 July 2008

\* *For identification purpose only*

*As at the date of this announcement, the executive directors of the Company are Ms. Yeung Sau Han, Agnes and Ms. Yu Sau Lai; the non-executive director is Mr. Wong Sai Hung, Oscar; the independent non-executive directors are Mr. Lui Tin Nang, Mr. Cheung Siu Chung, Mr. Orr Joseph Wai Shing and Mr. Lam Raymond Shiu Cheung.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief:— (i) the information contained in this announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkexnews.hk> and the website of the Company at <http://www.bmintelligence.com> for at least 7 days from the date of its posting.*