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## **Anxin-China Holdings Limited** **中國安芯控股有限公司**

(Formerly known as “Broad Intelligence International Pharmaceutical Holdings Limited

博智國際藥業控股有限公司”)

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

**(Stock code: 1149)**

### **INTERIM RESULTS ANNOUNCEMENT** **FOR THE SIX MONTHS ENDED 30 JUNE 2010**

The board of directors (the “Board”) of Anxin-China Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010, together with comparative figures for the corresponding period in 2009.

These interim financial information are unaudited, but have been reviewed by the Audit Committee of the Company.

### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2010*

		<b>Six months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>TURNOVER</b>	<b>4</b>	<b>177,201</b>	<b>65,075</b>
<b>COST OF SALES</b>		<b>(17,747)</b>	<b>(67,543)</b>
<b>GROSS PROFIT/(LOSS)</b>		<b>159,454</b>	<b>(2,468)</b>
<b>OTHER REVENUE</b>		<b>5,176</b>	<b>1</b>
<b>SELLING AND DISTRIBUTION EXPENSES</b>		<b>(21,855)</b>	<b>(24,882)</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		<b>(14,767)</b>	<b>(9,817)</b>
<b>AMORTISATION OF INTANGIBLE ASSETS</b>	<b>9</b>	<b>(20,223)</b>	<b>(8,093)</b>
<b>FAIR VALUE CHANGES ON CONVERTIBLE BONDS</b>	<b>13</b>	<b>(17,812)</b>	<b>–</b>
<b>WRITE-DOWN OF INVENTORIES</b>		<b>–</b>	<b>(933)</b>
<b>INVENTORIES WRITTEN OFF</b>		<b>–</b>	<b>(21,527)</b>
<b>FINANCE COSTS</b>		<b>(1,173)</b>	<b>(1,510)</b>

		<b>Six months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<i>Notes</i>	
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>88,800</b>	<b>(69,229)</b>
<b>INCOME TAX EXPENSE</b>	<b>5</b>	<b>(28,963)</b>	<b>–</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO OWNERS OF THE</b>			
<b>COMPANY</b>	<b>6</b>	<b>59,837</b>	<b>(69,229)</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE):</b>			
<b>EXCHANGE DIFFERENCES ARISING ON</b>			
<b>TRANSLATION OF FOREIGN OPERATIONS</b>		<b>3,023</b>	<b>(2,814)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>			
<b>FOR THE PERIOD ATTRIBUTABLE TO</b>			
<b>OWNERS OF THE COMPANY</b>		<b>62,860</b>	<b>(72,043)</b>
<b>EARNINGS/(LOSSES) PER SHARE</b>			
<b>BASIC</b>	<b>8</b>	<b>HK4.97 cents</b>	<b>HK(14.92 cents)</b>
<b>DILUTED</b>	<b>8</b>	<b>HK3.72 cents</b>	<b>HK(14.92 cents)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

		30 June 2010 <i>HK\$'000</i> (Unaudited)	31 December 2009 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		117,739	124,539
Prepaid lease payments		2,147	2,184
Prepayments		–	17,100
Intangible assets	9	145,855	165,965
Goodwill		660,225	660,225
		<u>925,966</u>	<u>970,013</u>
<b>CURRENT ASSETS</b>			
Inventories		6,587	8,371
Trade and other receivables	10	117,657	177,998
Tax recoverable		–	1,660
Bank balances and cash		229,501	92,329
		<u>353,745</u>	<u>280,358</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	97,146	152,109
Bank borrowings - due within one year		40,250	31,008
Tax liabilities		21,956	11,200
		<u>159,352</u>	<u>194,317</u>
<b>NET CURRENT ASSETS</b>		<u>194,393</u>	<u>86,041</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>1,120,359</u></u>	<u><u>1,056,054</u></u>

		<b>30 June 2010</b>	31 December 2009
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	<b>146,128</b>	100,430
Reserves		<b>471,012</b>	246,417
		<hr/>	<hr/>
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>617,140</b>	346,847
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>12,984</b>	14,759
Bank borrowings - due after one year		<b>–</b>	14,592
Convertible bonds	13	<b>490,235</b>	679,856
		<hr/>	<hr/>
		<b>503,219</b>	709,207
		<hr/>	<hr/>
		<b>1,120,359</b>	1,056,054
		<hr/> <hr/>	<hr/> <hr/>

# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2010*

## **1. GENERAL**

The Company was incorporated in the Cayman Islands on 16 April 2003 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) with effect from 24 November 2003. The addresses of the registered office and principal place of business of the Company are M&C Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Unit 1903 Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong respectively.

The principal activities of the Group are manufacture, sale, research and development of pharmaceutical products and sale of system hardware and application softwares for installation of high technology intelligent security warning systems and provision of system solutions services and investment holding.

## **2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34), “Interim Financial Reporting”.

## **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

#### 4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

##### Six months ended 30 June 2010

	Pharmaceutical business <i>HK\$'000</i>	Security warning system business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	<u>27,339</u>	<u>149,862</u>	<u>177,201</u>
Reportable segment profit	<u>1,101</u>	<u>126,132</u>	<u>127,233</u>
Fair value changes on convertible bonds			(17,812)
Amortisation charges of intangible assets on acquisition			(17,751)
Unallocated corporate expenses (net)			<u>(2,870)</u>
Profit before tax			<u>88,800</u>

##### Six months ended 30 June 2009

	Pharmaceutical business <i>HK\$'000</i>	Security warning system business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	<u>65,075</u>	<u>—</u>	<u>65,075</u>
Reportable segment loss	<u>(66,024)</u>	<u>—</u>	<u>(66,024)</u>
Unallocated corporate expenses (net)			<u>(3,205)</u>
Loss for the period			<u>(69,229)</u>

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of fair value changes on convertible bonds, amortisation charges of intangible assets on acquisition and unallocated corporate expenses (net). This is the measure reported to the executive directors, being the chief operating decision makers of the Group for the purposes of resource allocation and performance assessment.

## 5. INCOME TAX EXPENSE

	Six months ended 30 June,	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current Tax – PRC enterprise income tax	30,738	–
Deferred taxation – Reversal of temporary differences	(1,775)	–
	<b>28,963</b>	<b>–</b>

No provision for Hong Kong Profits Tax has been made the Group has no assessable profit for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

Tax charge on profits assessable in the PRC had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 6. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period are stated after charging the following:

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Amortisation of intangible assets ( <i>note 9</i> )	20,223	8,093
Amortisation of prepaid lease payments	55	55
Auditor's remuneration	–	–
Depreciation of property, plant and equipment	8,401	24,022
Staff costs (including directors' remuneration)		
Salaries and allowance	3,526	2,652
Contributions to retirement scheme	407	367
	<b>3,933</b>	<b>3,019</b>
Operating lease payment in respect of premises	<b>385</b>	<b>530</b>



## 7. DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## 8. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<i>Earnings (losses)</i>		
Profit (loss) for the period attributable to owners of the Company		
for the purpose of basic earnings (losses) per share	<u>59,837</u>	<u>(69,229)</u>
Effect of dilutive potential ordinary shares on		
fair value changes in convertible bonds	<u>17,812</u>	<u>–</u>
Earnings (losses) for the purpose of		
diluted earnings (losses) per shares	<u><u>77,649</u></u>	<u><u>(69,229)</u></u>
	<b>'000</b>	<b>'000</b>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose		
of basic earnings per share	<b>1,204,328</b>	463,899
Effect of dilutive potential ordinary shares		
on convertible bonds	<u>882,340</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose		
of diluted earnings per share	<u><u>2,086,668</u></u>	<u><u>463,899</u></u>

## 9. INTANGIBLE ASSETS

	Patents	Technology (Note)	Customer base (Note)	Unfinished contracts (Note)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>					
As at 1 January 2009 (audited)	144,096	–	–	–	144,096
Exchange adjustments	1	–	–	–	1
Acquisition of subsidiaries	–	122,621	21,613	13,203	157,437
At 31 December 2009 and 1 January 2010 (audited)	144,097	122,621	21,613	13,203	301,534
Exchange adjustments	1,264	–	–	–	1,264
At 30 June 2010 (unaudited)	145,361	122,621	21,613	13,203	302,798
<b>Accumulated depreciation and impairment losses</b>					
As at 1 January 2009 (audited)	52,192	–	–	–	52,192
Exchange adjustments	357	–	–	–	357
Amortisation	16,188	4,523	797	1,490	22,998
Impairment loss	60,022	–	–	–	60,022
At 31 December 2009 and 1 January 2010 (audited)	128,759	4,523	797	1,490	135,569
Exchange adjustments	1,151	–	–	–	1,151
Amortisation	2,472	11,790	2,078	3,883	20,223
At 30 June 2010 (unaudited)	132,382	16,313	2,875	5,373	156,943
<b>Carrying mount</b>					
At 30 June 2010 (unaudited)	<u>12,979</u>	<u>106,308</u>	<u>18,738</u>	<u>7,830</u>	<u>145,855</u>
At 31 December 2009 (audited)	<u>15,338</u>	<u>118,098</u>	<u>20,816</u>	<u>11,713</u>	<u>165,965</u>

*Note:* Intangible assets arising from the acquisition of Eagle Mascot Limited and its subsidiaries, on 22 October 2009 included technology, customer base and unfinished contracts totalling HK\$157,437,000 and the amortisation charge of these intangible assets is HK\$17,751,000 in current period.

# 10. TRADE AND OTHER RECEIVABLES

	30 June 2010 <i>HK\$'000</i> (Unaudited)	31 December 2009 <i>HK\$'000</i> (Audited)
Trade receivables	82,470	104,374
Other receivables	8,413	10,084
Amounts due from related companies	483	24,956
Loans and receivables	91,366	139,414
Prepayments and deposits	12,687	38,584
Other tax recoverables	13,604	–
	<b>117,657</b>	<b>177,998</b>

The following is an aging analysis of trade receivables, presented based on the invoice date, net of allowance for doubtful debts:

	30 June 2010 <i>HK\$'000</i> (Unaudited)	31 December 2009 <i>HK\$'000</i> (Audited)
Within 60 days	–	48,705
61 – 90 days	58,205	36,699
91 – 180 days	24,265	2,111
181 – 365 days	–	16,302
Over 1 year	–	557
	<b>82,470</b>	<b>104,374</b>

Trade receivables are due within 90 days from the date of billing. Trade receivables generally include the balances yet to be due such as the quality retention monies (typically 5% to 20% of the total contracted value) that are retained by the customers until the fulfillment of the warranty period of generally 1 to 2 years and receivable pursuant to the payment terms of the respective contracts.

# 11. TRADE AND OTHER PAYABLES

	30 June 2010 <i>HK\$'000</i> (Unaudited)	31 December 2009 <i>HK\$'000</i> (Audited)
Trade payables	1,211	1,396
Accrued and other payables	22,866	28,160
Temporary receipts	39,500	–
Amount due to a director	14,690	500
Construction work payable	15,207	62,850
Dividend payable	1	42,531
Amounts due to related companies	–	9,380
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	93,475	144,817
Other PRC tax payables	3,671	7,292
	<hr/>	<hr/>
	<b>97,146</b>	<b>152,109</b>
	<hr/>	<hr/>

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting date:

	30 June 2010 <i>HK\$'000</i> (Unaudited)	31 December 2009 <i>HK\$'000</i> (Audited)
Within 30 days	–	–
31 – 90 days	–	1,182
91 – 180 days	–	148
181 – 365 days	1,211	66
	<hr/>	<hr/>
	<b>1,211</b>	<b>1,396</b>
	<hr/>	<hr/>

## 12. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	'000	'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Ordinary shares of HK\$0.1 each				
<i>Authorised:</i>				
At 1 January 2010 and 30 June 2010	<b>4,000,000</b>	4,000,000	<b>400,000</b>	400,000
<i>Issued and fully paid:</i>				
At 1 January 2010	<b>1,004,299</b>	463,899	<b>100,430</b>	46,390
Issue of new share on exercise of warrant	–	92,000	–	9,200
Issue of consideration shares on acquisition of subsidiaries	–	131,000	–	13,100
Issue of shares on conversion of convertible bonds	<b>456,985</b>	317,400	<b>45,698</b>	31,740
At 30 June 2010	<b><u>1,461,284</u></b>	<u>1,004,299</u>	<b><u>146,128</u></b>	<u>100,430</u>

## 13. CONVERTIBLE BONDS

	30 June 2010	31 December 2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Convertible bonds measured at fair value:		
At the beginning of the period	<b>679,856</b>	–
Issued during the period	–	799,648
Change in fair value	<b>17,812</b>	21,924
Conversion to shares	<b>(207,433)</b>	(141,716)
At the end of the period	<b><u>490,235</u></b>	<u>679,856</u>

On 22 October 2009, the Company issued convertible bonds (the “Convertible Bonds”) in an aggregate principal amount of HK\$1,179,850,000. There were two tranches within the Convertible Bonds, HK\$889,850,000 in principal amount of Tranche 1 convertible bonds and HK\$290,000,000 in principal amount of Tranche 2 convertible bonds. The net proceeds from the issue of the convertible bonds are used to finance the acquisition of Eagle Mascot Group.

The principal terms of the Convertible Bonds are as follows:

**a) *Optional conversion***

Tranche 1 and Tranche 2 convertible bonds may be converted at the option of the holders at any time from 12 months and 24 months subsequent to the issue date of the Convertible Bonds respectively up to the maturity date of the Convertible Bonds which is 22 October 2014. Subject to adjustments upon the occurrence of various events including share consolidation, share subdivision, capitalisation issue, capital distribution, right issue and issue of convertible securities by the Company, the initial conversion price for the Convertible Bonds is HK\$0.65 per conversion share.

**b) *Redemption at the option of the Company***

The Company shall have the right to redeem any portion of the Convertible Bonds outstanding at an amount equals to the principal amount of the Convertible Bonds at its sole and absolute discretion at any time and from time to time prior to its maturity date.

The convertible bonds was designated as “financial liabilities at FVTPL” which requires the bonds to be carried at fair value at the reporting date and the changes in fair values are recognised in profit or loss in the period in which they arise. During the period ended 30 June 2010, a loss on change in its fair value of approximately HK\$19,364,000 (2009: HK\$21,924,000) is recognised in the condensed consolidated statement of comprehensive income.

On 4 January 2010, 5 January 2010, 16 April 2010, 28 April 2010, 17 May 2010 and 14 June 2010, the convertible bonds in an aggregate principal amount of HK\$33,540,400, HK\$10,000,000, HK\$130,000,000, HK\$23,059,400, HK\$97,500,000, and HK\$2,940,600 respectively were converted into the Company’s shares at a conversion price of HK\$0.65 per share. As a result of the conversion, 456,985,230 new shares were issued.

The binomial model is used in the valuation of the fair value of the convertible bonds by Jones Lang LaSalle Sallmanns, an independent professional valuer. Inputs into the model are as follows:

	<b>22 October 2009</b>	<b>31 December 2009</b>	<b>30 June 2010</b>
Stock price	HK\$0.70	HK\$0.62	HK\$0.70
Exercise price	HK\$0.65	HK\$0.65	HK\$0.65
Risk-free rate of interest	1.142%	1.929%	1.45%
Dividend yield	0%	0%	0%
Time to expiration	5 years	4.8 years	4.32 years
Volatility	<u>59.83%</u>	<u>60.43%</u>	<u>71.93%</u>

*Notes:*

- i) The risk-free rate of interest adopted was reference to yield of HKMA 5 year Exchange Fund Bill and Notes Fixings as at the valuation date.
- ii) The dividend yield adopted was based on the dividend yield of the Company and discussion with the management regarding the future dividend policy.
- iii) The volatility adopted was based on the Company's 5-years daily historical share price volatility.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Highlights

For the six months ended 30 June 2010, the consolidated turnover of the Group amounted to approximately HK\$177 million (for the six months ended 30 June 2009: HK\$65 million), representing an increase of approximately 172.3% over the corresponding period last year. Gross profit margin was approximately 90.0% (for the six months ended 30 June 2009: (3.8%)). Profit/(loss) after tax was approximately HK\$59.8 million (for the six months ended 30 June 2009: HK\$(69.2 million)), representing an increase of 186% over the corresponding period last year. Basic earnings/(loss) per share was HK4.97 cents (2009: HK(14.92 cents)).

Among the consolidated turnover HK\$177 million for the first six months of 2010, the turnover of security protection business and pharmaceutical business amounted to HK\$150 million and HK\$27 million respectively (for the six months ended 30 June 2009: HK\$ nil and HK\$65 million respectively).

## **Dividend**

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2010.

## **Business Review**

### ***Disposal of Pharmaceutical Business***

The performance of the pharmaceutical business was not satisfactory due to the fact that the Group sells large volume parenteral solution and small volume parenteral solution belonging to the general medicines of which supply in the market is relatively abundant. Our marketing strategy failed to meet the market changes which led to the unsatisfactory sales.

Besides, intense market competition as well as falling product price presents plenty of challenges to manufacturing and sales condition of the pharmaceutical industry. Meanwhile, the adoption of a tender system for medicine procurement in each province and city in the PRC narrowed down the Group's point of sales to a certain extent. Moreover, in order to manufacture pharmaceutical products, the Group is required to obtain Good Manufacturing Practice Certificates (the "GMP Certificates") from the relevant authorities. The GMP Certificates have to be renewed at regular intervals, and the renewal is subject to reassessment by the relevant authorities. The directors are of the view that it is not in the interests of the Group to commit further capital resources in the parenteral solutions sector in order to renew the GMP Certificates.



The Group understands that only by injecting considerable capital investments and recruiting professional talents for the research and development of patented medicines could improve the sales performance of the pharmaceutical business of the Group. As such, the directors consider that the disposal of the loss making business would better serve the interests of the shareholders. Also, the directors believe that the disposal would allow the Group to concentrate its resources on the provision of high technology intelligent security warning systems, which is of better prospects.

In the extraordinary general meeting held on 23 July 2010, all the shareholders supported the disposal of pharmaceutical business.

### ***Develop Security Protection Business***

The Group, as an advanced technology and software enterprise that committed to public security, production security and civil security, is an equipment manufacturer, systems provider and operating service provider that is specialized in the research and development in intelligent security warning field. Security protection business covers the remote real-time detection and monitoring of security production; remote real-time online detection and monitoring on fixed and moving origins of peril for petroleum, metallurgy and chemical industries; research and development on the application in the fields such as emergency rescue command system and new model of security production appraisal system for security warning and disasters; various intelligent embedded data collection and research, application development and product manufacture of transmitting terminal equipments; research and manufacture products for underground monitoring system of coal mines, etc.

### **Change of Company Name**

To better reflect the Group's business, the Broad proposed to change the name of the Company. Besides, the Broad believes that the new name can help improving the Company's corporate image and reputation, which is in the interests of the Company and the Company's shareholders ("Shareholders") as a whole. The English name of the Company will be changed from "Broad Intelligence International Pharmaceutical Holdings Limited" to "Anxin-China Holdings Limited", whereas the Chinese name of the Company will be changed from "博智國際藥業控股有限公司" to "中國安芯控股有限公司".

### **Prospects**

The Group is dedicated to the security production business of the country whole-heartedly, striving to have significant contribution towards it so as to become a worldwide leading intelligent security warning enterprise as well as achieving the goal of acting as the chief solutions provider, industry leader and the pioneer in applying modern information technology to traditional industries of the security production business.

## **CAPITAL AND OTHER INFORMATION OF THE GROUP**

### **Financial Information**

The Group had bank balances and cash amounting approximately HK\$229,501,000 as at 30 June 2010. They were denominated in Renminbi and Hong Kong dollars. The Group had outstanding bank borrowings of HK\$40,250,000, of which HK\$17,250,000 was secured by the corporate guarantee given by an independent mortgage company, whereas HK\$23,000,000 was secured by the premises owned by related companies. Our gearing ratio was 51.78% (2009: 72.26%). As at 30 June 2010, the current ratio and quick ratio were 2.22 and 2.18 respectively (as at 31 December 2009: 1.44 and 1.40 respectively). As at 30 June 2010, debtors turnover period, inventory turnover period and creditors turnover period were 83.77 days, 6.69 days and 37.69 days respectively (as at 31 December 2009: 217.11 days, 24.07 days and 14.62 days respectively).

### **Contingent Liabilities**

As at 30 June 2010, the Group and the Company did not have any significant contingent liabilities (2009: nil).

### **Employees and Remuneration Policy**

As at 30 June 2010, the Group had a total of 326 employees (2009: 114 employees). The Group regularly reviews the remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including the staff provident fund scheme and the discretionary bonus scheme.

## **RETIREMENT SCHEME**

The Group provides retirement benefits to its staff. The retirement contributions paid by the Group are based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to the income statement as incurred. The contributions paid for the six months ended 30 June 2010 and June 2009 was approximately HK\$504,000 and HK\$471,000 respectively. The Group has made adequate provision in the financial statements in respect of the benefit schemes. In addition, the Group also provides housing and food allowances to its staff. In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. All Hong Kong based employees and the Group are required to contribute 5% of the monthly wages of individual employees respectively (up to a maximum contribution of HK\$1,000 by each of the employee and the Group) on a monthly basis to the fund.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

## DIRECTORS' INTEREST IN SHARE CAPITAL

As at 30 June 2010, the interests of the Directors in the Share Capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI”)) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI were as follows:

Director	No. of Shares Held	Percentage of Interest (Corporate interest (Note))
Zhong Houtai	211,720,000	14.49%

### Notes:

1. The shares are registered under the name of Elite Achieve Limited.
2. The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.
3. Under the Securities and Futures Ordinance, Mr. Zhong Houtai is deemed to be interested in all the shares registered in the name of Elite Achieve Limited.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the share capital or debt securities of the Company or any of its associated corporations as defined in the SDI.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the section headed “Directors’ Interests in Share Capital” above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time during the period ended 30 June 2010.

## SHARE OPTION SCHEME

The share option scheme is effective for a term of ten years from 3 November 2003.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons or companies (other than the Directors and chief executives) had interest or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and were 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 at general meeting of any other members of the Group were as follow:

Name of substantial shareholder	Capacity in which shares were held	Number of shares	Number of underlying shares	Total	Approximate percentage of shareholding
Yang Kezhi	Interest of controlled corporation ( <i>Note 3</i> )	131,000,000	615,384,615	746,384,615	51.08%
Golden Bright Holdings Limited	Beneficial owner and Interest of controlled corporation ( <i>Note 3</i> )	131,000,000	615,384,615	746,384,615	51.08%
Talent Eagle Holdings Limited	Beneficial owner ( <i>Note 3</i> )	76,000,000	615,384,615	691,384,615	47.31%

Name of substantial shareholder	Capacity in which shares were held	Number of shares	Number of underlying shares	Total	Approximate percentage of shareholding
Wu Wenying	Interest of controlled corporation ( <i>Note 4</i> )	30,769,230	415,384,616	446,153,846	30.53%
Heroic Rich Limited	Beneficial owner ( <i>Note 4</i> )	30,769,230	415,384,616	446,153,846	30.53%
Wang Huiru	Interest of controlled corporation ( <i>Note 5</i> )	110,000,000	0	110,000,000	7.53%
Top Service Holdings Limited	Beneficial owner ( <i>Note 5</i> )	110,000,000	0	110,000,000	7.53%

*Notes:*

- The above are all long positions in the ordinary shares of the Company.
- On 22 October 2009, the Company issued convertible bonds (the “Convertible Bonds”) in an aggregate principal amount of HK\$1,179,850,000. There were two tranches within the Convertible Bonds, HK\$889,850,000 in principal amount of tranche 1 Convertible Bonds and HK\$290,000,000 in principal amount of tranche 2 Convertible Bonds. The issue of the Convertible Bonds is used for acquisition purpose. The Convertible Bonds, with maturity date of 22 October 2014, are convertible into shares at an conversion price of HK\$0.65 per share during the conversion period. As at 30 June 2010, an equivalent amount of HK\$483,350,000 tranche 1 Convertible Bonds and HK\$20,000,000 tranche 2 of Convertible Bonds have been converted into ordinary shares of the Company. As at 30 June 2010, the equivalent amount of the remaining balance of tranche 1 Convertible Bonds and tranche 2 Convertible Bonds are HK\$406,500,000 and HK\$270,000,000 respectively.
- The entire share capital of Talent Eagle Holdings Limited is legally and beneficially owned by Golden Bright Holdings Limited and the entire share capital of Golden Bright Holdings Limited is legally and beneficiary owned by Mr. Yang Kezhi. Therefore, Mr. Yang Kezhi is deemed to be interested in the 1,146,384,615 shares held by Golden Bright Holdings Limited and Talent Eagle Holdings Limited under the SFO.
- The entire share capital of Heroic Rich Limited is legally and beneficially owned by Wu Wenying. Therefore, Wu Wenying is deemed to be interested in the 446,153,846 shares held by Heroic Rich Limited under the SFO.
- The entire share capital of Top Service Holdings Limited is legally and beneficially owned by Wang Huiru. Therefore, Wang Huiru is deemed to be interested in the 110,000,000 shares held by Top Service Holdings Limited under the SFO.

Save as disclosed above, as at 30 June 2010, the Directors are not aware of any other person (other than the Directors, whose interests are set out in the paragraph headed “Directors’ Interest in Share Capital”), had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register kept by the Company under Part XV of section 336 of the SFO.

## **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or is existing during the six months ended 30 June 2010.

## **CORPORATE GOVERNANCE**

### **Corporate governance practices**

The Group is committed to achieving high standards of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. Throughout the period ended 30 June 2010, the Group has applied the principles and complied with most of the code provisions and recommended best practices prescribed in the Code on Corporate Governance Practices (“CG Code”) set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The following describes the Company’s corporate governance practices, explains the applications of the principles of the CG Code and deviations, if any.

None of the directors is aware of any information that would reasonably indicate that the Company or any of its directors were not in compliance with the Model Code or the CG Code at any time for the period ended 30 June 2010. In the opinion of the Board, the Company had fully complied with the provisions as provided under the Corporate Governance Code during the interim period except as indicated below. In order to be in compliance with the provisions as provided under the Corporate Governance Code, the Company established an audit committee and a remuneration committee.

## **CODE Provision A2.1**

According to the code provision A2.1 of the CG Code, the roles of the chairman and the chief executive officer should be segregated. However, the Company has no chief executive officer currently. Mr. Zhong Houtai is the chairman and executive Director of the Company responsible for the Group's operations in the PRC. The responsibility of that of a chief executive officer is currently taken up by the chairman of the Company. If the Company can identify a suitable person with capable leadership, knowledge on security and protection business and relevant skills and experiences for the post from within the Group or outside, the Company may consider appointing a chief executive officer. Owing to the business nature and scope of the Company, a suitable person shall have profound understanding and experiences on security and protection business, therefore there is no definite timetable for the appointment of chief executive officer.

## **CODE Provision A4.1**

According to the code provision A4.1 of the CG Code, independent non-executive directors should be appointed for a specific term of service. However, independent non-executive Directors of the Company are not appointed for a specific term as required under the CG Code, but they are subject to retirement in rotation at the annual general meeting of the Company according to the bye-laws of the Company.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

In compliance of Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing over one-third of the Board of Directors. Amongst them, Mr. Cheung Chuen, who is currently a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and has more than 10 years' experience in accounting and auditing, has the appropriate professional qualifications required under Rule 3.10(2) of the Listing Rules.



The independent non-executive Directors have participated in Board meetings as well as its various Board committees, and have given their opinions on the decision making on significant matters by making use of their professional knowledge and experience. They have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. The Board considered that all non-executive Directors to be independent in character and judgement. None of the independent non-executive Directors have relationships or circumstances that are likely to effect their professional judgement and the independent non-executive Directors have made active contribution to protecting the interests of the Company as a whole and the legal rights of all of shareholders of the Company, as well as promoting the healthy development of the Company. Three independent non-executive Directors separately submitted their confirmation letters on their independence, confirming that they had strictly observed the requirements for independence as set out in rule 3.13 of the Listing Rules during the period under review. Independent non-executive Directors are independent persons of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company confirmed that in respect of the six months ended 30 June 2010, all Directors had complied with the required standard set out in the Model Code.

## **AUDIT COMMITTEE**

The audit committee is established with written terms of reference in compliance with the CG Code. The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Pei Renjiu, Mr. Li Kai Ming and Mr. Cheung Chuen. Mr. Cheung Chuen is the chairman of the committee. The duties of the audit committee are to review the Company's annual report and accounts, interim reports and to provide advice and comments thereon to the Board. In addition, the audit committee will consider any significant and unusual items that are, or may need to be reflected in such reports and accounts and must give due consideration to any matter that has been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer and auditors. The

audit committee is also responsible for reviewing and supervising the financial reporting process and the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. Besides, the audit committee will make recommendations to the Board on matters regarding the appointment of external auditors and auditing fee etc. Every year, the audit committee meets with external auditors of the Company to discuss the annual audit plan. 2 meetings were held during the current period including to review the unaudited financial statements for the six months ended 30 June 2010.

## **NOMINATION COMMITTEE**

According to the CG Code, the Company shall set up a nomination committee with a majority of the members thereof being independent non-executive directors. However, the Company did not establish a nomination committee. The process and criteria adopted by the Board to select and recommend candidates for directorship are based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

## **REMUNERATION COMMITTEE**

The remuneration committee is established with a defined terms of reference in consistence with the CG Code and it is available from the Company Secretary at any time. The duties of the remuneration committee includes making recommendations with respect to the remuneration of the executive Directors for approval by the Board, reviewing and recommending salaries, bonuses, merit plans, reward and recognition strategies, including the appropriation of funds for incentive awards for Directors, and administering and making determinations with regard to the Company's share option scheme.

The remuneration committee is led by Mr. Li Kai Ming, an independent non-executive Director. Member of the remuneration committee includes Mr. Pei Renjiu and Mr. Cheung Chuen, both are independent non-executive Directors.

## **PUBLIC FLOAT**

As at the date of this announcement, the Company had maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's Directors.

## **APPRECIATION**

I would like to take this opportunity to extend my deepest gratitude to the Directors and staff as a whole for their immense contribution, dedication and diligence during the period.

By order of the board

**Zhong Houtai**

*Chairman*

30 August 2010

Website: [www.broadintelligence.com.hk](http://www.broadintelligence.com.hk)

*As at the date of this announcement, the Board comprises Mr. Zhong Houtai, Mr. Zhong Houyao, Mr. Lin Supeng and Mr. Yang Ma, all being executive Directors and Mr. Cheung Chuen, Mr. Li Kai Ming and Mr. Pei Renjiu, all being independent non-executive Directors.*