BROAD INTELLIGENCE INTERNATIONAL PHARMACEUTICAL HOLDINGS LIMITED
博智國際藥業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1149)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board of directors (the "Board") of the Broad Intelligence International Pharmaceutical Holdings Limited ("The Company") is pleased to announce the consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2009 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	3	**126,923**	422,321
Cost of sales		**(72,194)**	(312,307)
Gross profit		**54,729**	110,014
Other revenue	3	**3,875**	6,310
Selling and distribution expenses		**(26,371)**	(51,797)
General and administrative expenses		**(76,214)**	(29,212)
Write-down of inventories		**(1,453)**	–
Inventories written off		**(30,361)**	–
Impairment loss on property, plant and equipment		**(412,515)**	–
Impairment loss on intangible assets		**(60,022)**	(3,248)
Fair value changes on convertible bonds		**(21,924)**	–
Finance costs	4	**(2,603)**	–
(Loss)/profit before taxation	5	**(572,859)**	32,067
Income tax	6	**(3,931)**	(8,534)
(Loss)/profit for the year attributable to owners of the Company		**(576,790)**	23,533
Other comprehensive income for the year			
Exchange differences arising on			
– translation of foreign operations		**248**	31,850
– translation into presentation currency		**(2,266)**	–
		(2,018)	31,850
Total comprehensive income for the year attributable to owners of the Company		**(578,808)**	55,383
(Loss)/earnings per share			
Basic and diluted	8	**(HK$1.09)**	HK$0.05

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	The Group 2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**124,539**	569,903
Prepaid lease payment		**2,184**	2,294
Prepayments		**17,100**	17,100
Intangible assets		**165,965**	91,904
Goodwill		**660,225**	–
		970,013	681,201
Current assets			
Inventories		**8,371**	60,113
Trade and other receivables	*10*	**177,998**	6,175
Tax recoverable		**1,660**	1,660
Cash and cash equivalents		**92,329**	3,314
		280,358	71,262
Current Liabilities			
Trade and other payables	*11*	**152,109**	57,422
Short-term bank loan		**31,008**	–
Tax payable		**11,200**	–
		194,317	57,422
Net current assets		**86,041**	13,840
Total assets less current liabilities		**1,056,054**	695,041
Non-current liabilities			
Other payable		**–**	42,541
Deferred tax liabilities		**14,759**	–
Bank loans		**14,592**	–
Convertible bonds		**679,856**	–
		709,207	42,541
NET ASSETS		**346,847**	652,500
REPRESENTED BY:			
Share capital	*12*	**100,430**	46,390
Reserves		**246,417**	606,110
TOTAL EQUITY		**346,847**	652,500

Notes:

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 with effect from 24 November 2003. The addresses of the registered office and principal place of business of the Company are PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Unit 1903, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong respectively.

In prior years, the directors regarded Hong Kong dollar as the functional currency of the Company. During the year ended 31 December 2009, the directors reassessed the Company's functional currency after the acquisition of subsidiaries in October 2009 in which their main operations are located in the PRC. It is expected that currency of the primary economic environment in which the subsidiaries of the Company operates will substantially denominated in Renminbi ("RMB"). Accordingly, the directors determined that the functional currency of the Company should be changed from Hong Kong dollar to RMB starting from the date of acquisition of subsidiaries. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". As the Company is listed on the Main Board of The Stock Exchanges of Hong Kong Limited, the directors consider that it will be more appropriate to adopt Hong Kong dollar as the Group's and the Company's presentation currency.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, Operating segments
- HKAS* 1 (revised), Presentation of financial statements
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations
- HK(IFRIC**) – Int 15, Agreements for the construction of real estate
- HK(IFRIC) – Int 16, Hedges of a net investment in a foreign operation

* *HKAS represents Hong Kong Accounting Standards.*

** *IFRIC represents the International Financial Reporting Interpretations Committee.*

Except for HKFRS 8, HKAS 1 (revised) and HKFRS 7, the above amendments to HKFRSs and new Interpretations have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group and the Company. The impact of the remainder of these developments on the financial statements is as follows:

a) HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer.

b) HKAS 1 (revised) affects certain disclosures of the financial statements. Under the revised standard, the Income Statement is renamed as the "Statement of Comprehensive Income", the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statement is renamed as the "Statement of Cash Flows". All income and expenses arising from transactions with non-owners (i.e., the non-owner movements of equity) are presented under the "Income Statement" and "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Equity", while the owner changes in equity are presented in the "Statement of Changes in Equity".

   The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has chosen to present one statement.

c) As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data.

The application of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Company and its subsidiaries has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for the current accounting period.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised 2008)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised 2008)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners[1]
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments[7]

[1] *Effective for annual periods beginning on or after 1 July 2009*

[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate*

[3] *Effective for annual periods beginning on or after 1 January 2011*

[4] *Effective for annual periods beginning on or after 1 February 2010*

[5] *Effective for annual periods beginning on or after 1 January 2010*

[6] *Effective for annual periods beginning on or after 1 January 2013*

[7] *Effective for annual periods beginning on or after 1 July 2010*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

3. TURNOVER AND OTHER REVENUE

Turnover represents (i) the invoiced value of goods sold, after deducting goods returns, trade discount and sales tax and (ii) income from the provision of system solution services.

Turnover and other revenue and net income consisted of:

	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sales of pharmaceutical products	**83,433**	422,321
Sales of system hardware and application software	**37,558**	–
Provision of system solution services	**5,932**	–
	126,923	422,321
Other revenue and net income		
Bank interest income	**42**	754
Total interest income on financial assets not at fair value through profit or loss	**42**	754
PRC VAT tax concession	**3,831**	–
Sundry income	**2**	–
Net exchange gain	**–**	5,556
	3,875	6,310
Total revenue	**130,798**	428,631

4. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on construction payable wholly repayable within 5 years	**2,058**	–
Interest on bank loans wholly repayable within 5 years	**545**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**2,603**	–

5. (LOSS)/PROFIT BEFORE TAXATION

The (loss)/profit before taxation is stated after charging the following:

		2009	2008
		HK$'000	*HK$'000*
a)	Staff costs (including directors' remuneration)*		
	Salaries and allowance	**5,008**	5,354
	Contributions to retirement scheme	**734**	841
		5,742	6,195
b)	Other item:		
	Amortisation of intangible assets	**22,998**	15,530
	Amortisation of prepaid lease payments	**110**	109
	Auditor's remuneration	**969**	595
	Cost of inventories*	**72,194**	312,307
	Depreciation of property, plant and equipment*	**48,091**	27,888
	Research and development costs	**983**	75
	Written off deposit paid on registration of trademark	**–**	60
	Operating lease payment in respect of premises	**1,513**	1,059
	Net exchange loss	**515**	–

* *Cost of inventories includes HK$12,803,000 (2008: HK$27,332,000) relating to amortisation of intangible assets, depreciation of property, plant and equipment and staff costs, which amount is also included in the respective total amounts disclosed separately above.*

6. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax – PRC enterprise income tax		
Provision for the year	**4,602**	8,534
	4,602	8,534
Deferred taxation		
– reversal of temporary differences	**(671)**	–
	3,931	8,534

i) The provision for PRC enterprise income tax is calculated on the assessable profit of the Group's PRC subsidiaries at a statutory tax rate of 25% during the year ended 31 December 2008 and 2009, except for Shenzhen An-xin Digital Development Co., Ltd. ("An-xin") and Fujian Nanshaolin Pharmaceutical Co., Ltd. ("Fujian Nanshaolin").

ii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Enterprise Income Tax Law of the PRC for unified tax rate arrangements among different types of the PRC entities which results in a reduction of income tax rate from 33% to 25% with effect from 1 January 2008 (the ''EIT Law''). The State Council of the PRC passed an implementation guidance note (''Implementation Guidance'') on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, there will be a transitional period of five years for the Company's PRC subsidiaries whereby the applicable income tax rate will be progressively increased to 18%, 20%, 22%, 24% and 25% for the years 2008, 2009, 2010, 2011 and 2012 respectively.

Pursuant to an approval document "Shen Di Shui She Han [2007] No. 132" dated 12 December 2007 issued by the District Tax Bureau of Shehou District, Shenzhen, An-xin is qualified as a production enterprise and entitles to EIT exemption for the years 2005 and 2006 and a 50% reduction in EIT for the years from 2007 to 2009. The application of the EIT Law has not altered the entitlement of An-xin. The income tax rate of 10% is applied for the year ended 31 December 2009.

iii) Fujian Nanshaolin, a wholly foreign owned enterprise, was subject to PRC enterprise income tax at a rate of 15% (2008: 18%) applicable to the company on the assessable profits for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise income tax (the "New Law") by order no. 63 of the president of the PRC. On 6 December 2007, the State Council of the PRC issued the Implementation Regulation of the New Law. Under the New Law and the Implementation Regulation, the Enterprise income tax rate of Fujian Nanshaolin was increased from 15% to 18% progressively from 1 January 2008 onwards.

On 25 November 2008, Fujian Nanshaolin was approved as a high-technology enterprise, which is subject to the PRC enterprise income tax at a reduced rate of 15% from 2009 up to and including year 2011. The entitlement of such preferential tax policy after 2011 is subject to verification by the relevant tax authority.

iv) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2008: Nil).

v) The Group had no significant unprovided deferred tax assets or liabilities at 31 December 2008 and 2009.

7. DIVIDENDS

The directors do not recommend the payment of final dividend for the year (2008: Nil).

8. (LOSS)/EARNINGS PER SHARE

a) *Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK$576,790,000 (2008: profit attributable to owners of the Company of approximately HK$23,533,000) and the weighted-average of 530,642,000 ordinary shares (2008: 463,899,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009	2008
	'000	*'000*
Issued ordinary shares at 1 January	**463,899**	463,899
Issue of new shares on exercise of warrant	**32,515**	–
Issue of consideration shares on acquisition of subsidiaries	**25,482**	–
Issue of shares on conversion of convertible bonds	**8,746**	–
Weighted average number of ordinary shares at 31 December	**530,642**	463,899

b) *Diluted (loss)/earnings per share*

Diluted loss per share is equal to basic loss per share for the year ended 31 December 2009 as the exercise of the Company's outstanding convertible bonds would have no dilutive effect.

Diluted earnings per share is equal to basic earnings per share for the year ended 31 December 2008 as there was no dilutive potential ordinary shares outstanding for the year ended 31 December 2008.

9. SEGMENT REPORTING

The Group manages its businesses by business line. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Pharmaceutical business

Manufacture, sale, research and development of pharmaceutical products.

Security warning system business

Sale of system hardware and application software for installation of high technology intelligent security warning system and provision of system solutions services.

a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of other corporate assets. Segment liabilities include all current and non-current liabilities with the exception of convertible bonds and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "profit before taxation" generated by the respective operating segment. To arrive at "profit before taxation", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as fair value changes on convertible bonds and other corporate income and expenses.

i) Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance is set out below:

For the year ended 31 December 2009

	Pharmaceutical business *HK$'000*	Securities warning system business *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	**83,433**	**43,490**	**126,923**
Reportable segment profit/(loss)	**(580,240)**	**35,858**	**(544,382)**
Interest income	**5**	**36**	**41**
Interest expense	**2,058**	**545**	**2,603**
Depreciation of property, plant and equipment	**48,015**	**74**	**48,089**
Amortisation of intangible assets	**16,188**	**6,810**	**22,998**
Amortisation of prepaid lease payments	**110**	**–**	**110**
Impairment loss on intangible assets	**60,022**	**–**	**60,022**
Impairment loss on property, plant and equipment	**412,515**	**–**	**412,515**
Write-down of inventories	**1,453**	**–**	**1,453**
Inventories written off	**30,361**	**–**	**30,361**
Reportable segment assets	**148,339**	**1,101,694**	**1,250,033**
Additions to property, plant and equipment	**–**	**1,902**	**1,902**
Reportable segment liabilities	**80,764**	**140,315**	**221,079**

For the year ended 31 December 2008

	Pharmaceutical business *HK$'000*	Securities warning system business *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	422,321	–	422,321
Reportable segment profit	35,847	–	35,847
Interest income	720	–	720
Depreciation of property, plant and equipment	27,801	–	27,801
Amortisation of intangible assets	15,530	–	15,530
Amortisation of prepaid lease payments	109	–	109
Reportable segment assets	749,397	–	749,397
Additions to property, plant and equipment	337,320	–	337,320
Reportable segment liabilities	99,385	–	99,385

ii) Reconciliations of reportable segment profit or loss, assets and liabilities

	2009 ***HK$'000***	2008 *HK$'000*
Profit		
Reportable segment profit/(loss)	**(544,382)**	35,847
Change in fair value of convertible bonds	**(21,924)**	–
Other corporate income and expenses	**(6,553)**	(3,780)
Consolidated (loss)/profit before taxation	**(572,859)**	32,067

	2009	2008
	HK$'000	*HK$'000*
Assets		
Total segment assets	**1,250,033**	749,397
Unallocated corporate assets	**338**	3,066
Consolidated assets	**1,250,371**	752,463

	2009	2008
	HK$'000	*HK$'000*
Liabilities		
Total segment liabilities	**221,079**	99,385
Convertible bonds	**679,856**	–
Unallocated corporate liabilities	**2,589**	578
Consolidated liabilities	**903,524**	99,963

b) Information about geographical areas

As the senior executive management of the Group considers that all of the Group's consolidated revenue and results are attributable to the market in the PRC, the Group's consolidated assets are substantially located inside the PRC, no geographical information is presented.

c) Information about major customers

For the year ended 31 December 2009, revenue from two clients of the Group amounting to HK$27,791,000 and HK$13,940,000 reported in securities warning system business and pharmaceutical business respectively had individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2008, no revenue from transactions with single external customer accounted for 10% or more of the Group's total revenue.

10. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**104,374**	3,745
Other receivables	**10,084**	–
Due from related companies	**24,956**	–
Loans and receivables	**139,414**	3,745
Prepayments and deposits	**38,584**	2,430
	177,998	6,175

The amount of the Group's and the Company's deposits, prepayments and loans and receivables are expected to be recovered or recognised as expense within one year.

a) Ageing analysis

Trade receivables with the following age analysis presented based on invoice date as of the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**42,666**	3,745
31– 60 days	**6,039**	–
60 – 90 days	**36,699**	–
91 – 180 days	**2,111**	–
181 – 365 days	**16,302**	–
Over 1 year	**557**	–
	104,374	3,745

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

	2009	2008
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**1,396**	3,432
Accrued and other payables	**28,161**	26,104
Construction work payable	**62,849**	24,851
Dividend payable	**42,531**	–
Amount due to a director	**500**	2
Amount due to related companies	**9,380**	–
Financial liabilities measured at amortised cost	**144,817**	54,389
Other PRC tax payables	**7,292**	3,033
	152,109	57,422

a) The following is an ageing analysis of trade payables as at the reporting date:

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**–**	3,432
31– 90 days	**1,182**	–
91 – 180 days	**148**	–
181 – 365 days	**66**	–
	1,396	3,432

12. SHARE CAPITAL

The Company

	Number of shares		Amount	
	2009	2008	**2009**	2008
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At 1 January, ordinary shares of HK$0.1 each	**2,000,000**	2,000,000	**200,000**	200,000
Increase in authorized share capital *(Note (a))*	**2,000,000**	–	**200,000**	–
At 31 December, ordinary share of HK$0.1 each	**4,000,000**	2,000,000	**400,000**	200,000
Issued and fully paid:				
As at 1 January	**463,899**	463,899	**46,390**	46,390
Issue of new share on exercise of warrant *(Note (b))*	**92,000**	–	**9,200**	–
Issue of consideration share on acquisition of subsidiaries *(Note (c))*	**131,000**	–	**13,100**	–
Issue of shares on conversion of convertible bonds *(Note (d))*	**317,400**	–	**31,740**	–
As at 31 December	**1,004,299**	463,899	**100,430**	46,390

Notes:

a) Pursuant to the written resolutions of the shareholders of the Company on 13 October 2009, the authorised share capital of the Company was increased from HK$200,000,000 to HK$400,000,000 by the creation of 2,000,000,000 shares of HK$0.1 each.

b) During the year, 92,000,000 warrants were exercised at a subscription price of HK$0.415 per share, resulting in the issue of 92,000,000 ordinary shares of HK$0.1 each in the Company.

c) During the year, 131,000,000 ordinary shares of par value HK$0.1 each were issued at a fair value of HK$0.7 per share as part of the consideration for the acquisition of Eagle Mascot Limited. The fair value of the ordinary shares of the Company, determined using the published price at the date of the acquisition, amounted to HK$91,700,000, of which HK$13,100,000 was credited to share capital and the remaining balance of HK$78,600,000 was credited to the share premium account.

d) On 29 October 2009, 23 December 2009, 28 December 2009, 29 December 2009, 30 December 2009 and 31 December 2009, the Convertible Bonds in an aggregate principal amount of HK$20,000,000, HK$65,000,000, HK$10,467,600, HK$10,842,000, HK$35,500,000 and HK$64,500,000 respectively were converted into the Company's shares at a conversion price of HK$0.65 per share. As a result of the conversion, 317,399,383 new shares were issued.

13. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Authorised and contracted for		
– the acquisition of intangible assets	**5,700**	5,700
– leasehold improvements	**5,671**	–
	11,371	5,700

14. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

CHAIRMAN'S STATEMENT

I am pleased to present to our shareholders the financial results of Broad Intelligence International Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

To the Group, 2009 was a year full of operational challenges and opportunities. The adverse effects of the financial tsunami has yet to be dissipated and the market demand for pharmaceuticals was therefore affected, coupled with the fact that our Group sells large volume parenteral solution and small volume parenteral solution of which belong to the general medicines, the supply of them in the market is relatively abundant. Our marketing strategy failed to meet the market changes which led to the reduced sales during the year, as well as the consequent impairment loss on plant, equipment and intangible assets and the written-off of inventory also directly affected the performance.

Seventeen production lines of the Group obtained GMP certification of the State Food and Drug Administration. This certification enhanced the quality requirements of the factory and increased the production cost. Meanwhile under the proposal of the new medical reform, the implementation of unified medical tenders based on the unit of province also reduced our Group's point of sales, which affected our pharmaceutical business to a certain degree. Despite of facing challenging business environment and intense competitive domestic pharmaceutical market, the Group will actively cope with it and adjust the operation strategy appropriately. The Group understands that only with certain capital investments and recruitments of professional talents for the research and development of patented medicines, can enhance our core competitiveness and improve the sale performance of pharmaceutical business.

Although the pharmaceutical business faced unprecedented challenges in 2009, the Group made adjustments in its strategies at appropriate times, by that, the Group not only solidified its pharmaceutical business, but also stepped into the new security and protection business of which is having great growth potential with 物聯網 ("Internet-of-things") as the base. Internet-of-things is combining information-sensing equipments, such as radio frequency identification, infrared sensor global positioning system and etc with internet, so that an object can be endowed with smart intelligence, of which can then help to realize the communication and dialogue between object and human as well as between object and object. Finally, the "Internet-of-things" will be established to cover everything. Initial framework of standard system of Internet-of-things in China has already been erected, according to《國家中長期科學與技術發展規劃 (2006-2020)》("National Mid-Term and Long-Term Science and Technology Development Plan (2006-2020)"), Internet-of-things is already listed as the key research area. In the future, Internet-of-things will cover many fields such as intelligent traffic system, environmental protection, government works, public and home safety, intelligent fire prevention system, industrial monitoring system and so on. Therefore, the Group acquired Eagle Mascot Limited in October 2009, which indirectly held 100% interest in Shenzhen An-xin Digital Development Co., Limited ("An-xin"), an integrated solutions provider of high technology intelligent security warning systems. The company is the pioneer enterprise in China to apply Internet-of-things technology on security and protection area. This acquisition brought an excellent opportunity for the Group to explore new business, which helps to expand our revenue base.

With the rapid development of national economy of China, and the increasing application of security and protection technology and Internet-of-things technology, the premier, Wen JiaBao has made a significant speech《讓科技引領中國可持續發展》("Science and Technology leads the Sustainable Development of China") on 3 November 2009. Internet-of-things was listed as one of the five emerging strategic industries in China. According to the《中國安防行業「十一五」發展規劃指導思想》("The Development Plan and Guidance of the China Security and Protection Industry under the "Eleventh Five-Year-Plan""), during the period under the "Eleventh Five-Year-Plan", the growth rate of the security and protection products' industry in China would reach 20% or above, and it is expected that the increase would achieve RMB80 billion or above by 2010. The market potential is tremendous.

The Board believes that the acquisition of An-xin will enable the Group to step into the high-tech business, which will lay a solid platform for the Group to reap the enormous gains from the rapid growth of the high-tech industry in the years ahead. Looking into the future, The Group will closely monitor the opportunities arisen from the market, timely adjust operational strategies, so as to create better performance and accomplish the long-term goal of maximizing shareholders' value.

DIVIDENDS AND DIVIDEND POLICY

In view of the unsatisfactory performance of the Group, the Board therefore does not recommend final dividend for the year ended 31 December 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Industry Review

In 2009 the pharmaceutical industry greatly developed with the help of implementation of a new healthcare reform and a series of medical related policies in the PRC. Financial crisis continuously impacted on the global economy and the benefits of the healthcare reform are still yet to be realized, which caused conservative consuming behavior among consumers. Intense market competition as well as decreasing product price presents plenty of challenges to the whole pharmaceutical industry. Meanwhile, the adoption of tender system for medicine procurement in each province and city in the PRC narrowed down the group's point of sales to a significant extent. As a result, the business of the Group suffered a severe blow during the reporting period.

Business Review

As opportunities and challenges co-exist, the Group showed a clear awareness and accurate judgment and wisely adjusted its strategies according to the change. In general, the Group will solidify its main business in the production and sales of medicines and healthcare pharmaceutical products, on the other hand, the Group will develop a new intelligent security and protection business which is having great growth potential, this will further strengthen our integrated capability as well as capability of combating risk. The Group's revenue base will therefore be enlarged.

Pharmaceutical Business

As at 31 December 2009, the Group owned 17 production lines which were granted GMP certifications by the State Food And Drug Administration 國家食品藥品監督管理局, among them, one production line is for large volume parenteral solution and one production line is for small volume parenteral solution, the remaining 15 production lines are producing various healthcare pharmaceutical products: pill, capsule, granule, powder, herbal tea, edible solution, syrup, suspension, nasal drop, eye drop, ear drop, tincture, solution, suppository and aerosol.

Due to the increase in capital input and the strengthened supervision in every aspect like raw material, staff, equipment, production process, product packaging and transportation, the Group's pharmaceutical products reached high standards, our brand and product quality both earned high degree of recognition. During the reporting period, the pharmaceutical business recorded a loss. The main reason is (i) decrease in sales of the Group in 2009; (ii) the impairment loss HK$473 million on plants; equipment and intangible assets of the Group due to the decrease in sales of the Group in 2009; and (iii) the written-off of stock HK$30 million which including the stock loss of RMB18 million announced by the Company on 31 July 2009. For the year 2009 the total turnover of the Group's pharmaceutical products was approximately HK$83 million, down 80% as compared to the turnover of same period in 2008 of approximately HK$422 million. The turnover of healthcare pharmaceutical products and parenteral solution products recorded HK$17 million and HK$66 million (2008: HK$114 million and HK$308 million), down 85% and 79% as compared with the year 2008 respectively. The turnover of healthcare pharmaceutical products and parenteral solution products accounting for 14% and 52% of the Group's turnover respectively. Despite of facing challenging business environment and intense competitive domestic pharmaceutical market, the Group will adjust the operation strategy appropriately. The Group understands that only with certain capital investments and recruitments of professional talents, which is beneficial to the research and development of patented medicines, can improve the sale performance of pharmaceutical business.

Security Protection Business

With the rapid development of the PRC's national economy in recent years, people's consciousness of self-safety and self-protection is enhanced. The demand for security and video monitoring systems keeps increasing, which presents attractive opportunities and potentials in the security and protection industry. This industry has grown and prospered along with the internet-based and intelligence-based evolution supported by the Internet protocol technology. According to the《中國安防行業「十一五」發展規劃指導思想》("The Development Plan and Guidance of the China Security and Protection Industry under the "Eleventh Five-Year-Plan""), during the period under the "Eleventh Five-Year-Plan", the growth rate of the security and protection products' industry in China would reach 20% or above, and it is expected that the increase would achieve RMB80 billion or above by 2010. Therefore, the Group determined to acquire Eagle Mascot Limited in October 2009, which indirectly held 100% interest in An-xin, an integrated solutions provider of high technology intelligent security warning systems in the PRC, with the consideration that the intelligent security protection business is possessing high profit visibility and positive prospect and potential.

An-xin is an integrated solutions provider of high technology intelligent security warning systems in the PRC. An-xin had obtained its own independent intellectual property rights, and was entirely engaged in the development of production safety, and gradually developing its market in connection with public security and civil security. An-xin had directly or indirectly made 5 applications for patents in invention rights, application rights and outlook rights in the PRC and some other international PCT rights. An-xin had also applied for not less than 10 software copyrights in the PRC. An-xin was granted the title of 改革開放30年自主創新示範單位 ("30th Anniversary of Reform and Open Policy Independent Innovation Demonstration Unit") by 國家高新技術產業產業化戰略研究室 ("The National High Technology Industry Industrialization Strategic Unit") in 2009. Recently in 2010, it was awarded as 「中關村物聯網產業聯盟」理事單位 (the director unit of Zhongguancun Industry Alliance in Internet of Things) and 「深圳市軟體行業協會」理事單位 (the director unit of Shenzhen Software Industry Association), 「深圳市安全生產科學技術學會」副會長單位 (the deputy chairman unit of Shenzhen Institute of Security Science and Technology) and 「深圳國際商會」常務領事單 (standing council unit of Shenzhen International Chamber of Commerce) respectively. It was also granted the title as「深圳市工業500強企業」("one of the top 500 industrial enterprises of Shenzhen city") in China in 2008, 「南山區領軍企業」("the leading enterprise in Nanshan area") in 2009 and 「中國深圳市南山區百強納稅企業」 ("one of the top 100 tax-paying enterprises in the Nanshan area in Shenzhen city") from 2007 to 2009.

Upon completion of the acquisition of An-xin in 2009, the Group's intelligent security protection business contributed HK$43 million, representing 34% of the total turnover of the Group as at 31 December 2009. The Group believed that depending on the well-established competitive advantage, An-Xin will achieve great success again in such profitable and promising industry.

2. FINANCIAL REVIEW

Financial Information

The Group had cash and bank balances amounting to approximately HK$92 million as at 31 December 2009. As at 31 December 2009, the Group's bank loans were HK$45.6 million (2008: Nil), of which HK$22.8 million was secured by corporate guarantee provided by independent mortgage company and HK$22.8 million was secured by property owned by related company. The gearing ratio is 72.26% (2008: Nil). As at 31 December 2009, the current ratio and quick ratio were 1.44 and 1.40 respectively (as at 31 December 2008: 1.24 and 0.19 respectively). As at 31 December 2009, debtors turnover period, inventory turnover period and creditors turnover period were 217.11 days, 24.07 days and 14.62 days respectively (as at 31 December 2008: 3 days, 52 days and 41 days respectively). Overall, the Group has a stable and sound financial position which provides a solid foundation for future development.

Details of business segments are set out in Note 9 to the financial statements.

Changes in the Organisation of the Group

In October 2009, the Group acquired Eagle Mascot Limited, it indirectly held the entire equity interest in An-xin, an integrated solutions provider of high technology intelligent security warning systems in the PRC, at a consideration of HK$1,300,000,000. This acquisition brought an excellent opportunity for the Group to explore new business, which helps to expand our revenue base. The Board considers it will help the Group to realize business diversification into a new business with a huge growth potential.

Capital Expenditure

During the year ended 31 December 2009, the Group acquired new property, plant and equipment totaling HK1.9 million.

Contingent Liabilities

As at 31 December 2009, the Group and the Company did not have any significant contingent liabilities (2008: nil).

Charge on the Group's Assets

The Group had no charges on the assets as at 31 December 2009

Closure of register of members

The Register of Members of the Company will be closed from 1 June 2010 to 2 June 2010, both days inclusive, during which period no transfers of shares shall be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on 2 June 2010, all transfers of shares accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 31 May 2010.

3. EMPLOYEES AND REMUNERATION POLICY

Business Philosophy: human-oriented

The Group attached great importance to human-oriented business philosophy. In daily operations, the Group insists on treating every staff with respect and care, at the same time motivating their personal initiative, potential and creativity by a series of incentive policies.

Number of Employees and other information

In October 2009, the Group acquired Eagle Mascot Limited, it indirectly held the entire equity interest in An-xin. Therefore, at the end of 2009, the Group had a total of 221 employees (December 2008: 114), a significant increase compared with the year 2008.

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 staff provident fund scheme and discretionary bonus scheme.

4. OUTLOOK AND PROSPECT

With the continuous influence of the developing healthcare reform and the expected further policies in medical services, pharmaceutical industry in China will enjoy its rapid growth as well as the growing demand and increasing purchasing power of medicines. The acquisition of An-xin brings new business opportunities. It is believed that security protection business is a promising business, which is an industry with great growth potential.

Looking forward, the Group will timely adjust the strategies to maximize the flexibility to meet the challenges and opportunities. Regarding the Group's production and sales of pharmaceutical products business, the majority of pharmaceutical products are general medicines which the supply of them is relatively abundant. To cope with market changes, The Group understands that only with certain capital investments and recruitments of professional talents, which for the research and development of patented medicines, can improve the sales performance of pharmaceutical business. For the new security protection business, in facing the market with high growth potential, the Group will try to get the opportunities. Through An-xin's well-established competitive advantage and accumulative network resource, the Group will apply the Internet-of-things technology into industrial production safety, public security and civil security, and maximize the returns to the Group's shareholders, who give lasting confidence and supports.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been compared by the Company's auditors, CCIF CPA Limited, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by CCIF CPA Limited in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this Announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The annual report for the year ended 2009 ("Annual Report") containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") will be published on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the due course.

CODE OF BEST PRACTICE AND CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting year covered by the Annual Report, except for the following deviations:

– Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhong Houtai is the chairman and Executive Director of the Company responsible for the Group's operations in the PRC. The Board believed that the vesting of the two roles to Mr. Zhong provides the Group with stable and consistent leadership and allows for more effective planning and implementation of the long term business strategies. If the Company can identify a suitable person with capable leadership, knowledge on medicines, 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.

– Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at the Annual General Meeting of the Company in accordance with the by-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the accounting period covered by Annual Report, the Company had complied with the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. After making inquiry of the directors, the Company confirmed that the directors of the Company had complied with the provisions of the Model Code for Securities Transactions by Directors.

AUDIT COMMITTEE

The Audit Committee has reviewed the internal controls and financial reporting matters of the Group together with a review of the annual results for the year ended 31 December 2009.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to acknowledge the determined efforts and significant contributions made by the management and staff, and would like to extend my acknowledgment to our shareholders and investors for their support. With stable and solid business base and the efforts of all staff, the Group will strive to create success for the coming year.

By Order of the Board
Broad Intelligence International Pharmaceutical Holdings Limited
Mr. Zhong Houtai
Chairman

Hong Kong, 23 April 2010

Websites: *www.broadintelligence.com.hk*
www.irasia.com/listco/hk/broadintelligence

As at the date of this announcement, the executive directors of the Company are Mr. Zhong Houtai, Mr. Zhong Houyao, Mr. Sun Daquan and Mr. Lin Supeng and the independent non-executive directors are Mr. Cheung Chuen, Mr. Pei Renjiu and Mr. Li Kai Ming.