



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)

INTERIM RESULT ANNOUNCEMENT 2004

The Board of directors (the “Board”) of Broad Intelligence International Pharmaceutical Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2004, together with the comparative figures for the corresponding period in 2003.

The interim financial statements have not been audited, but have been reviewed by the Audit Committee and the auditors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June	
		2004 (Unaudited) HK\$'000	2003 (Audited) HK\$'000
	Note		
TURNOVER	3	120,692	84,272
COST OF SALES		(69,546)	(49,418)
GROSS PROFIT		51,146	34,854
OTHER REVENUE	3	317	172
SELLING AND DISTRIBUTION EXPENSES		(1,308)	(959)
GENERAL AND ADMINISTRATIVE EXPENSES		(4,145)	(1,610)
PROFIT FROM OPERATIONS		46,010	32,457
FINANCE COSTS		—	(179)
PROFIT BEFORE TAXATION	4	46,010	32,278
INCOME TAX	5	(7,255)	(2,373)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		38,755	29,905
DIVIDEND	6	—	—
EARNINGS PER SHARE – BASIC	7	HK 9.69 cents	HK 9.46 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June 2004 (Unaudited) HK\$'000	At 31st December 2003 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	44,392	35,396
Negative goodwill		(833)	(914)
Total non-current assets		<u>43,559</u>	<u>34,482</u>
CURRENT ASSETS			
Inventories		6,326	6,135
Prepayments, deposits and other receivable		314	3,443
Trade receivables	9	44,888	53,582
Cash and bank balances		172,544	134,708
		<u>224,072</u>	<u>197,868</u>
CURRENT LIABILITIES			
Trade payables	10	10,635	14,632
Accruals and other payables		13,211	14,032
Bank overdraft, unsecured		–	243
Tax payable		3,411	1,824
		<u>27,257</u>	<u>30,731</u>
Net current assets		<u>196,815</u>	<u>167,137</u>
NET ASSETS		<u><u>240,374</u></u>	<u><u>201,619</u></u>
CAPITAL AND RESERVES			
Share capital		40,000	40,000
Reserves		200,374	161,619
Shareholders' equity		<u><u>240,374</u></u>	<u><u>201,619</u></u>

Notes:

1. PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PREPARATION

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are manufacture, sale, research and development of pharmaceutical products and investment holding.

The Company was incorporated in the Cayman Islands on 16th 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 24th November 2003.

Under a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 6th November 2003. Details of the reorganisation were set out in the prospectus issued by the Company dated 11th November 2003 (the “Prospectus”).

The Group resulting from the above mentioned reorganisation is regarded as a continuing entity. Accordingly, the condensed financial statements of the Group have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice 27 “Accounting for Group Reconstructions” issued by the Hong Kong Institute of Certified Public Accountants

The condensed financial statements of the Group are reported in Hong Kong Dollars. Accordingly, the figures for 30th June 2003, which were stated in the Prospectus in Renminbi, have been retranslated into Hong Kong Dollars for comparison purpose.

The condensed 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 Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2003.

2. SEGMENT REPORTING

More than 95% of the operating profits and assets are attributable to the Group’s operations, manufacturing and sales of pharmaceutical products in the PRC. Accordingly, no analysis by geographical and business segment is provided.

3. TURNOVER AND OTHER REVENUE

Turnover represents the invoiced value of goods sold after deducting goods returned, trade discount and sale tax.

	For the six months ended	
	30th June	
	2004	2003
	(Unaudited)	(Audited)
	HK\$’000	HK\$’000
Turnover		
Sales of pharmaceutical products	120,692	84,272
Other revenue		
Interest income	236	92
Release of negative goodwill	81	80
	317	172
Total revenue	121,009	84,444

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	For the six months ended 30th June	
	2004 (Unaudited) HK\$'000	2003 (Audited) HK\$'000
Research and development costs	173	119
Depreciation	1,487	761
Less: Amount included in research and development cost	(44)	(9)
	<u>1,443</u>	<u>752</u>
Staff costs (including directors' remuneration)		
Salaries and allowance	2,789	1,398
Contributions to retirement scheme	339	169
	<u>3,128</u>	<u>1,567</u>
Less: Amount included in research and development cost	(93)	(102)
	<u><u>3,035</u></u>	<u><u>1,465</u></u>

5. INCOME TAX

Income tax consists of:

	For the six months ended 30th June	
	2004 (Unaudited) HK\$'000	2003 (Audited) HK\$'000
PRC enterprise income tax	<u><u>7,255</u></u>	<u><u>2,373</u></u>

- (i) Fujian Fuqing Pharmaceutical Co., Ltd. ("Fuqing Pharmaceutical"), which was formerly a PRC domestic enterprise, was subject to PRC enterprise income tax at a rate applicable to the company on the assessable profits for the year. With effect from 16th November 1999, Fuqing Pharmaceutical was changed from a domestic enterprise to a wholly-foreign owned enterprise and is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years.
- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (2003: Nil).
- (iii) The Group did not have any significant unprovided deferred taxation at 30th June 2004 (2003: Nil).

6. DIVIDEND

The directors do not recommend the payment of a dividend for the six months ended 30th June 2004 (2003: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30th June 2004 is based on the consolidated profit attributable to shareholders of approximately HK\$38,755,000 (2003: HK\$29,905,000) and the weighted average number of 400,000,000 shares (2003: 316,000,000 shares) in issued during the period.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in issue during the six months ended 30th June 2004 and 2003.

8. CAPITAL EXPENDITURE

During the period, the Group spent HK\$10,483,000 (six months ended 30th June 2003: HK\$8,000) on acquisition of property, plant and equipment.

9. TRADE RECEIVABLES

The Group normally grants credit terms of 60 to 90 days to its customers.

Ageing analysis of trade receivables is as follows:

	30th June 2004 (Unaudited) HK\$'000	31st December 2003 (Audited) HK\$'000
0 – 30 days	22,461	27,462
31 – 60 days	22,427	24,672
61 – 90 days	–	878
91 – 180 days	–	570
	<u>44,888</u>	<u>53,582</u>

10. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	30th June 2004 (Unaudited) HK\$'000	31st December 2003 (Audited) HK\$'000
0 – 30 days	10,633	14,632
31 – 60 days	2	–
	<u>10,635</u>	<u>14,632</u>

RESULTS HIGHLIGHTS

For the six months ended 30th June, 2004, consolidated turnover of the Group amounted to approximately HK\$120.7 million, representing a year-on-year growth of 43% from approximately HK\$84.3 million last year. Profit after tax was approximately HK\$38.8 million, up 30% from that of last year. Basic earnings per share was HK9.69 cents (2003: HK9.46 cents).

DIVIDENDS

In 2004, the Company embarked on certain projects to expand its existing production lines and acquire new production lines, land and plants. These projects will be funded by proceeds from the IPO and internal resources of the Company. As such, the Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

As a result of its competitive advantages and outstanding performance, the Group achieved satisfactory results with remarkable growth in terms of sales and profit recorded. For the six months ended 30th June, 2004, consolidated turnover of the Group amounted to approximately HK\$120.7 million, representing a year-on-year growth of 43% from approximately HK\$84.3 million last year. Profit after tax was approximately HK\$38.8 million, up 30% from last year. Gross profit margin improved from 41.4% last year to approximately 42.4%. The increase in consolidated turnover of the Group was primarily attributable to the large-scale production of large volume parenteral solution in September 2003 subsequent to the renewal of the relevant GMP certification in August 2003. The sales of large volume parenteral solution for the first six months of 2004 was approximately HK\$22.9 million. Another major factor contributing to the increase in turnover was the production and sale of some new products with higher profit margin. In addition, the management of the Company exercised stringent cost control, quality assurance and expense control, so as to minimize production and management costs and improve flexibility and efficiency. By improving its productivity and product quality and expanding its operation network, the Group has built up a robust foundation for the further development of its business.

Prospects

Building on its experience in the manufacturing and sale of pharmaceutical products, extensive marketing network and a elite team of advisors with professional experience and expertise, the Group has identified the following initiatives:

Acquiring land

Last year, application had been filed with and procedures had been completed by the Company with the relevant State-owned Land Bureau regarding the purchase of a parcel of land adjacent to the Fuqing plant. It is our plan to construct a six-story workshop complex at the site, most of the construction works have been completed. Capital expenditure in relation to the purchase of land and the construction of plant amounted to approximately RMB 20 million. It is expected that the proposed plant will be completed and operational in the second half of 2004.

Expanding production lines

The Group's production lines are currently running at their maximum capacity. The Group plans to boost its productivity and production volume by setting up six GMP-certified production lines in the new complex. It is expected that the GMP certification will be obtained by the end of 2004 or early 2005, and commercial production will commence in 2005.

Expanding scope of production

When the new production lines come on stream, the new production scopes approved cover granule, power, herbal tea, solution, syrup, eye drop, ear drop, inhalant and tincture (for external application). It is expected that 10-20 new products will be submitted for approval by the relevant departments in the year.

Sales of products

During the six months ended 30th June, 2004, the Group had 35 products for sale. All such products were sold in the PRC and denominated in Renminbi. Customers of the Group mainly comprised licensed pharmaceutical distributors, hospitals and clinics in the PRC. The five major products of the Group in aggregate accounted for 65% of the total turnover. The sales of small volume parenteral solution increased approximately 16% to HK\$97.8 million compared to the correspondent period of 2003.

CAPITAL AND OTHER INFORMATION OF THE GROUP

Financial information

The Group had cash and bank balances totaling approximately HK\$172 million for the six months ended 30th June, 2004. As the Group has no outstanding bank loan, there is no gearing ratio (2003: 0%). Current ratio and quick ratio both improved from 6.44 and 6.24 in 2003 to 8.22 and 7.99 for the six months ended 30th June, 2004. As at 30th June, 2004, debtors turnover period, inventory turnover period and creditors turnover period was 68 days, 16 days and 29 days respectively (2003: 96 days, 11 days and 26 days respectively). Generally speaking, the Group has a sound financial position providing strong support for its future development.

Contingent liabilities

As at 30th June 2004, the Group and the Company did not have any significant contingent liabilities (2003: Nil).

Interest rate and currency exposure

The Group has no material foreign exchange and interest rate exposure.

Employees and remuneration policy

For the six month ended 30th June, 2004, the Group has a total of 245 employees (June 2003: 173). The increase in headcount was to cater for operating needs. The Group regularly reviews remuneration and benefits of employees according to the relevant market practices and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits staff provident fund scheme and discretionary bonus scheme.

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 period.

Compliance with Code of Best Practice

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 period covered by the Report, except that independent non-executive directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the bye-laws of the Company.

Audit Committee

The audit committee has two members comprising the Company's two independent non-executive Directors, namely Mr. Pei Renjiu (裴仁九先生) and Mr. Li Kai Ming (李開明先生). 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 reflect in such reports and accounts and must give due consideration to any matter that has been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and the Group's internal control system. Two meetings were held during the current financial year, during one of which the unaudited interim financial statement for the 6 months ended period 30th June, 2004 was reviewed.

Model Code

During the accounting period covered by this interim 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.

APPRECIATION

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

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The unaudited interim financial statements of the Company for the six months ended 30th June, 2004 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Zhong Houtai
Chairman

Hong Kong, 13th September, 2004

As this date of announcement, the Board of Directors of the Company comprises of seven directors, of which five are Executive Directors, namely Mr. Zhong Houtai, Chairman, Mr. Zhong Houyao, Mr. Chong Hoi Fung, Mr. Sun Daquan, Mr. Chai Chung Wai and two Independent Non Executive Directors, namely Mr. Pei Renjiu, Mr. Li Kai Ming.

“Please also refer to the published version of this announcement in The Standard”