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)

MAJOR TRANSACTION

DISPOSAL OF SUBSIDIARY

SUMMARY

THE DISPOSAL

The Board is pleased to announce that on 14 May 2010, the Purchaser, the Company and Mr. Zhong entered into the Share Transfer Agreement pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at a consideration of HK$79,000,000.

As the applicable percentage ratios as defined in the Listing Rules are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Disposal is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Transfer Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its associates do not hold any Shares and no Shareholders or their associates have a material interest in the Disposal. No Shareholder is required to abstain from voting on the resolution(s) in respect of the Share Transfer Agreement at the EGM.

A circular containing, among other things, details of the Disposal and the notice of the EGM will be despatched to the Shareholders as soon as practicable under the requirement of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 14 May 2010, the Purchaser, the Company and Mr. Zhong entered into the Share Transfer Agreement pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at a consideration of HK$79,000,000.

THE SHARE TRANSFER AGREEMENT

Summarised below are the principal terms of the Share Transfer Agreement:

Date

14 May 2010

Parties

Vendor:	the Company
Purchaser:	New Value Investment Limited, a company incorporated under the laws of the British Virgin Islands with limited liability.
Mr. Zhong:	Mr. Zhong Houtai
	To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

Subject matter of the Share Transfer Agreement

Pursuant to the Share Transfer Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being all the issued share capital of the Target Company, free from encumbrance and together with all rights now or hereinafter attached thereto including but not limited to all dividends and distribution declared, paid or made in respect thereof on or after the date of the Share Transfer Agreement.

In consideration of the Purchaser entering into the Share Transfer Agreement, Mr. Zhong has agreed to waive, release and discharge (as the case may be) all claims, whether present or future, actual or contingent, against any member of the Target Group in respect of the Director's Loan upon Completion.

The consideration for the Disposal

The consideration for the Disposal is HK$79,000,000 and shall be satisfied by the Purchaser in the following manner:

(i) HK$39,500,000, as refundable deposit, shall be satisfied by way of a cashier order issued by an licenced bank in Hong Kong (or such other form of payment as may be agreed between the parties to the Share Transfer Agreement) within 20 Business Days from the date of the Share Transfer Agreement; and

(ii) HK$39,500,000 shall be satisfied by way of a cashier order issued by an licenced bank in Hong Kong (or such other form of payment as may be agreed between the parties to the Share Transfer Agreement) upon Completion.

The consideration for the Disposal has been determined after arm's length negotiation between the Company and the Purchaser with reference to, among other things, the consolidated net asset value of the Target Group. The consideration for the Disposal represents a premium of approximately 16.9% over the consolidated net asset value of the Target Group as at 31 December 2009.

Conditions precedent to the Share Transfer Agreement

Completion is conditional upon fulfillment of the following conditions:

(a) the Shareholders passing an ordinary resolution at the EGM in accordance with the requirements of the Listing Rules and all other applicable laws and regulations to approve the Share Transfer Agreement and the transactions contemplated thereunder;

(b) all necessary consents and approvals (including but not limited to those from the relevant government and regulatory authorities) in relation to the transactions contemplated under the Share Transfer Agreement having been obtained by the Company and such consents and approvals remaining to be valid up to the Completion Date;

(c) the Certificate of Incumbency and the Certificate of Good Standing of the Target Company having been provided to the Purchaser and such certificates should not be dated earlier than the seventh day before the Completion Date;

(d) the Purchaser being satisfied with and accepting the result of the due diligence review in relation to the Target Group; and

(e) there being no material breach of the terms and conditions of the Share Transfer Agreement by the Company before Completion.

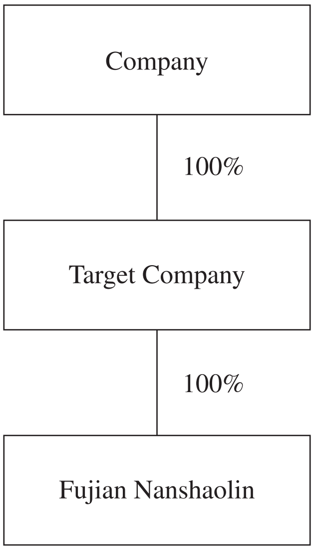
If any of the above conditions have not been fulfilled or waived (other than conditions (a) and (b) which may not be waived) by the Purchaser on or before 31 December 2010 (the "**Long Stop Date**") (or such later date as the parties to the Share Transfer Agreement may agree in writing), the Share Transfer Agreement shall lapse, the Company shall refund the above deposit (without interest) to the Purchaser within seven Business Days from the Long Stop Date (or such later date as the parties to the Share Transfer Agreement may agree), and thereafter none of the parties to the Share Transfer Agreement shall have any rights or obligations towards each other in connection with the Share Transfer Agreement except for any antecedent breach.

Completion

Pursuant to the Share Transfer Agreement, Completion shall take place on the seventh Business Day after the fulfillment or waiver (as the case may be) of the conditions precedent of the Share Transfer Agreement (or such other date as the parties to the Share Transfer Agreement may agree). Upon Completion, the Target Group will cease to be subsidiaries of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company. It has no other operation except for the holding of the entire equity interest in Fujian Nanshaolin. Fujian Nanshaolin is principally engaged in the manufacture, sale, research and development of pharmaceutical products. Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Set out below is the financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December	
	2009	**2008**
	(audited)	**(audited)**
	HK$'000	*HK$'000*
(Loss)/profit before tax	(580,242)	39,004
(Loss)/profit after tax	(580,242)	30,470

According to the audited accounts of the Target Group as at 31 December 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, the audited consolidated net asset value of the Target Group amounted to approximately HK$67.6 million as at 31 December 2009.

For illustrative purposes only, it is estimated that the gain arising from the Disposal is approximately HK$11.4 million, which is calculated with reference to the difference between the consideration for the Disposal and the audited consolidated net asset value of the Target Group as at 31 December 2009. The amount of the actual gain or loss arising from the Disposal will be determined upon after Completion depending on the fair value of the assets and liabilities of the Target Group as at the date of the Share Transfer Agreement and the related expenses incurred.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the manufacture, sale, research and development of pharmaceutical products and the sale of system hardware and application software for installation of high technology intelligent security warning systems and provision of system solutions services.

According to the annual report of the Company for the year ended 31 December 2009 ("**2009 Annual Report**"), to the Group, 2009 was a year full of operational challenges and opportunities. The adverse effects of the financial tsunami had yet to be dissipated and the market's demand for pharmaceuticals was therefore affected, coupled with the fact that the Group sold 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. The marketing strategy of the Group 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 of the Group.

In addition, according to the 2009 Annual Report, 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 were still yet to be realized, which caused conservative consuming behavior among consumers. Intense market competition as well as decreasing product price presented 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 points of sales to a significant extent. As a result, the business of the Group suffered a severe blow during 2009. The Group understood that only with certain capital investments and recruitments of professional talents for the research and development of patented medicines, could improve the sales performance of the pharmaceutical business of the Group.

According to the 2009 Annual Report, the turnover derived from the sale of pharmaceutical products of the Group for the year ended 31 December 2009 amounted to approximately HK$83 million, representing a decrease of approximately 80% as compared with that in 2008. The turnover of healthcare pharmaceutical products and parenteral solution products recorded approximately HK$17 million and HK$66 million respectively, dropped down approximately 85% and 79% as compared with that in 2008 respectively. The turnover of healthcare pharmaceutical products and parenteral solution products accounted for approximately 14% and 52% of the Group's turnover for the year ended 31 December 2009 respectively.

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 Group's GMP Certificates for small volume parenteral solutions and large volume parenteral solutions will expire in 2011 and 2013 respectively. Given the heightened manufacturing requirement, the Directors estimated that the Group has to inject approximately HK$100 million to HK$200 million to improve the manufacturing facilities in order to renew its GMP Certificates. Having considered that (i) the turnover of small volume parenteral solutions and large volume parenteral solutions accounted for approximately 40% and 12% of the consolidated turnover of the Group for the year ended 31 December 2009; and (ii) the sharp decrease in turnover of approximately 79% of the parenteral solution products in 2009, 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 Certifications.

According to an article entitled《2008年安防行業分析調查研究報告》(Analysis and Research Report on Security and Protection Industry 2008) issued on the website of 雲南省安防協會 (Yunnan Security Association) dated 3 December 2008, the production value of the security and protection industry in the PRC amounted to approximately RMB25 billion in 2000 and the security and protection industry in the PRC grew rapidly from 2000 to 2007. The production value further grew to approximately RMB90 billion, RMB118 billion and RMB145 billion in 2005, 2006 and 2007 respectively. It is estimated that the production value of the security and protection industry in the PRC will reach RMB200 billion in 2010 despite the growth of the security and protection industry in the PRC is expected to slow down in the coming years.

As such, after reviewing the past financial results and performance of the pharmaceutical business, the Directors consider that it is the right time to dispose of the loss making business of the Group. In addition, the Directors consider that the Disposal would allow the Group to concentrate its resources on other segments which, the Directors believe, will have better prospects, such as the provision of high technology intelligent security warning systems in the PRC.

The Company intends to use the net proceeds of approximately HK$78 million for general working capital of the Group.

Taken into account the benefits of the Disposal, the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business and provide normal banking services
"Company"	Broad Intelligence International Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Share Transfer Agreement in accordance with the terms thereof
"Completion Date"	the seventh Business Day after the fulfillment or waiver (as the case may be) of the conditions precedent of the Share Transfer Agreement (or such other date as may be agreed between the parties to the Share Transfer Agreement)
"Director(s)"	the director(s) of the Company
"Director's Loan"	means the loan in the sum of HK$13,000,000 owed by the Target Company to Mr. Zhong as at the date of the Share Transfer Agreement and all other moneys, debts, liabilities and obligations whatsoever which are now or may at any time before Completion be, or become from time to time, due and owing, incurred or outstanding by any member of the Target Group to Mr. Zhong

"Disposal"	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the Share Transfer Agreement
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Share Transfer Agreement and the transactions contemplated thereunder
"Fujian Nanshaolin"	Fujian Nanshaolin Pharmaceutical Co., Ltd.(福建南少林藥業有限公司), a company established under the laws of the PRC with limited liability, which is an indirect wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Zhong"	Mr. Zhong Houtai, an executive Director and a director of the Target Company
"PRC"	the People's Republic of China
"Purchaser"	New Value Investment Limited, a company incorporated in the British Virgin Islands with limited liability
"Sale Shares"	10,000 shares of US$1 each in the issued share capital of the Target Company, representing all the issued share capital of the Target Company as at the date of the Share Transfer Agreement
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company

"Share Transfer Agreement"	the conditional agreement dated 14 May 2010 entered into between the Purchaser, the Company and Mr. Zhong in respect of the Disposal and the waiver of the Director's Loan
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Long Master International Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly owned subsidiary of the Company
"Target Group"	the Target Company and Fujian Nanshaolin
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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

Hong Kong, 14 May 2010

As at the date of this announcement, the executive Directors 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.

If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this announcement and their English translation, the Chinese version shall prevail.