



# 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

The board of directors (the “Board”) of the Broad Intelligence International Pharmaceutical Holdings Limited (“The Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (“the Group”) for the year ended 31 December 2007 together with comparative figures for the previous year as follows:

These consolidated financial statements have been audited by the Company’s external auditors and reviewed by the Company’s audit committee.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Turnover			
Sales of pharmaceutical products	4	411,990	342,232
Cost of sales		(252,187)	(205,251)
Gross profit		159,803	136,981
Other revenue	4	7,394	4,580
Selling and distribution expenses		(28,138)	(21,325)
General and administrative expenses		(30,046)	(19,918)
Operating profits		109,013	100,318
Finance costs		—	—
Profit before taxation	5	109,013	100,318
Income tax	6	(18,268)	(16,391)
Profit attributable to equity shareholders of the Company	7	90,745	83,927
Dividends	8	16,720	—
Earnings per share	9		
– Basic		HK20.49 cents	HK20.98 cents
– Diluted		N/A	HK20.94 cents

# CONSOLIDATED BALANCE SHEET

At 31 December 2007

		2007	2006
	Note	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		245,461	148,990
Prepaid lease payments		2,262	3,315
Intangible asset		78,689	85,252
Investment in subsidiaries		—	—
		<u>326,412</u>	<u>237,557</u>
<b>CURRENT ASSETS</b>			
Inventories		38,140	11,016
Trade receivables	11	100,420	86,176
Prepayments, deposits and other receivable		71,828	467
Cash and bank balances		123,827	156,039
		<u>334,215</u>	<u>253,698</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	29,112	22,546
Accruals and other payables		29,062	25,810
Taxation payable		4,808	3,984
Amount due to a director		528	2,419
		<u>63,510</u>	<u>54,759</u>
<b>NET CURRENT ASSETS</b>		<u>270,705</u>	<u>198,939</u>
<b>NET ASSETS</b>		<u><u>597,117</u></u>	<u><u>436,496</u></u>
Represented by:			
<b>SHARE CAPITAL</b>	13	46,390	40,000
<b>RESERVES</b>		<u>550,727</u>	<u>396,496</u>
<b>SHAREHOLDERS' EQUITY</b>		<u><u>597,117</u></u>	<u><u>436,496</u></u>

*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 disclosed in the “Corporate Information” section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are manufacture, sale, research and development of pharmaceutical products and investment holding.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Up to the date of issue of these financial statements, the HKICPA has issued the following, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing cost <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int-11	HKFRS 2 – Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC) – Int-12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC) – Int-13	Customer loyalty programmes <sup>5</sup>
HK(IFRIC) – Int-14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

The adoption 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 that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

### **3. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

#### 4. TURNOVER AND OTHER REVENUE

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

Turnover and other revenue consisted of:

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Turnover		
Sales of pharmaceutical products	<b>411,990</b>	342,232
Other revenue		
Exchange gain	<b>5,713</b>	3,406
Gain on disposal of prepaid lease payments	<b>136</b>	–
Interest income	<b>1,545</b>	1,174
	<b>7,394</b>	4,580
Total revenue	<b>419,384</b>	346,812

#### 5. PROFIT BEFORE TAXATION

The profit before taxation are stated after charging the following:

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Amortisation of intangible assets	<b>12,281</b>	11,328
Amortisation of prepaid lease payments	<b>101</b>	144
Auditors' remuneration	<b>580</b>	570
Cost of inventories	<b>252,187</b>	205,251
Depreciation	<b>13,814</b>	7,638
Research and development costs	<b>56</b>	101
Staff costs (including directors' remuneration)		
Salaries and allowance	<b>5,149</b>	5,189
Contributions to retirement scheme	<b>802</b>	807
	<b>5,951</b>	5,996
Operating lease payment in respect of premises	<b>587</b>	590

*Notes:* Cost of inventories includes HK\$14,254,000 (2006: HK\$6,139,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above.

## 6. INCOME TAX

	2007 HK\$'000	2006 HK\$'000
Current tax – PRC enterprise income tax		
Provision for the year	<u>18,268</u>	<u>16,391</u>

- (i) Fujian Nanshaolin Pharmaceutical Co., Ltd., a wholly foreign owned enterprise, was subject to PRC enterprise income tax at a rate of 15% (2006:15%) applicable to the company on the assessable profits for the year.

By a legislation passed by the National People's Congress in 2007, a uniform enterprise income tax of 25% will become generally applicable to all domestic and foreign investment enterprises in the PRC, subject to certain exceptions or exemptions with effect from 1 January 2008.

- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2006: Nil).
- (iii) The Group had no significant unprovided deferred taxation arising during the year or at 31 December 2007 (2006: Nil).

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 HK\$'000	2006 HK\$'000
Profit before taxation	<u>109,013</u>	<u>100,318</u>
Notional tax on profit before tax, calculated at the rates, applicable to profits in the jurisdictions concerned	16,272	14,930
Tax effect of non-taxable income	(388)	(243)
Tax effect of unrecognised tax losses	1,477	821
Others	<u>907</u>	<u>883</u>
Actual tax expense	<u>18,268</u>	<u>16,391</u>

## 7. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately HK\$8,429,000 (2006: a loss of HK\$4,680,000) which has been dealt with in the financial statements of the Company.

## 8. DIVIDENDS

	2007 HK\$'000	2006 HK\$'000
Dividends in respect of 2006:		
Final dividend in respect of the previous financial year approval and paid during the year of HK3.8 cents per share (2006: Nil)	<u>16,720</u>	<u>–</u>

The directors do not recommend the payment of final dividend for the year.

## 9. EARNINGS PER SHARE

### (a) *Basic earnings per share*

The calculation of basic earnings per share for the year is based on the consolidated profit attributable to equity shareholders of approximately HK\$90,745,000 (2006: HK\$83,927,000) and the weighted-average number of ordinary shares of 442,922,000 shares (2006: 400,000,000 shares) in issue during the year.

#### *Weighted average number of ordinary shares*

	2007 '000	2006 '000
Issued ordinary shares at 1 January	400,000	400,000
Issue of shares through placing	41,843	–
Exercise of share option	<u>1,079</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u>442,922</u>	<u>400,000</u>



**(b) Diluted earnings per share**

Diluted earnings per share for the year ended 31 December 2007 has not been presented as the exercise price of the Company's outstanding share options was higher than the average market price for shares for this year.

The calculation of diluted earnings per share for the year ended 31 December 2006 is based on the profit attributable to ordinary equity shareholders of the Company of approximately HK\$83,927,000 and the weighted average number of ordinary shares of 400,768,898 shares, calculated as follow:

*Weighted average number of ordinary shares (diluted)*

	2006 '000
Weighted average number of ordinary shares at 31 December	400,000
Effect of deemed issued of shares under the Company's share option scheme for nil consideration	<u>769</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>400,769</u></u>

**10. 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 presented here.

## 11. TRADE RECEIVABLES

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

The ageing analysis of trade receivables is as follows:

	<b>The Group</b> <b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
0 to 30 days	<b>42,153</b>	47,880
31 to 60 days	<b>43,167</b>	31,748
61 to 90 days	<b>15,100</b>	6,548
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	<b>100,420</b>	86,176
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Trade receivables were neither past due nor impaired.

## 12. TRADE PAYABLES

The ageing analysis of accounts payables is as follows:

	<b>The Group</b> <b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
0 to 30 days	<b>29,112</b>	22,492
31 to 60 days	–	41
61 to 90 days	–	13
	<hr/>	<hr/>
	<b>29,112</b>	22,546
	<hr/>	<hr/>

### 13. SHARE CAPITAL

#### The Company

	Number of shares		Amount	
	2007 '000	2006 '000	2007 HK\$'000	2006 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised	<b>2,000,000</b>	2,000,000	<b>200,000</b>	200,000
Issued and fully paid	<b>400,000</b>	400,000	<b>40,000</b>	40,000
As at 1 January				
Issue of shares through placing (Note 13(i))	<b>40,000</b>	–	<b>4,000</b>	–
Exercise of share option (Note 13(ii))	<b>2,000</b>	–	<b>200</b>	–
Issue of shares through placing (Note 13(iii))	<b>21,899</b>	–	<b>2,190</b>	–
As at 31 December	<b>463,899</b>	400,000	<b>46,390</b>	40,000

- (i) On 14 February 2007, Elite Achieve Limited (“the Seller”), a company wholly and beneficially owned by Mr. Zhong Houtai, an executive Director and the chairman of the Board entered into (i) the Placing Agreement with the Company and Galaxy China Opportunities Fund, (“the Purchaser”), a third party independent of the Company and connected persons of the Company, pursuant to which the Seller agreed to sell and the Purchaser agreed to buy 40,000,000 shares of the Company (“the Sale Shares”) at the price of HK\$0.88 per Sale Share and (ii) the Subscription Agreement with the Company and the Purchaser, pursuant to which the Company has conditionally agreed to allot and issue 40,000,000 new Shares to the Seller at the price of HK\$0.88 per Subscription Share. The net proceeds of the placement of HK\$35,200,000 was used for additional working capital of the Group.
- (ii) On 18 June 2007, options were exercised to subscribe for 2,000,000 ordinary shares in the Company at a consideration of HK\$1,180,000 of which HK\$200,000 was credited to share capital and the balance of HK\$980,000 was credited to the share premium account. HK\$491,000 has been transferred from the share option reserve to the share premium account.

- (iii) On 8 August 2007, Elite Achieve Limited (“the Seller”), a company wholly and beneficially owned by Mr. Zhong Houtai, an executive Director and the chairman of the Board entered into (i) the Placing Agreement with the Company and DKR SoundShore Oasis Holding Fund Ltd., (“the Purchaser”), a third party independent of the Company and connected persons of the Company, pursuant to which the Seller agreed to sell and the Purchaser agreed to buy 21,899,000 shares of the Company (“the Sale Shares”) at the price of HK\$0.97 per Sale Share and (ii) the Subscription Agreement with the Company, pursuant to which the Company has conditionally agreed to allot and issue 21,899,000 new shares to the Seller at the price of HK\$0.97 per Subscription Share. The net proceeds of the placement of HK\$21,242,030 will be applied to build factory and purchase equipment for refinery and storage purposes within the scope of pharmaceutical business of the Company.

#### 14. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2007 not provided for in the financial statements were as follows:

	<b>The Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
Contracted for		
– prepaid lease payments	–	500
– the acquisition of property, plant and equipment	<b>16,621</b>	–
– the acquisition of intangible assets	<b>9,650</b>	–
	<hr/>	<hr/>
	<b>26,271</b>	<b>500</b>
	<hr/>	<hr/>

## CHAIRMAN’S STATEMENT

I am pleased to present to our shareholders the annual report of Broad Intelligence International Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007.

## BUSINESS REVIEW

### Results

The Group continued to introduce different new healthcare pharmaceutical products and parenteral solution products in 2007 and obtained satisfactory growth in sales and profit. While delivering improving results of the Group, the Group will continue to launch different new products to improve the health standard of the people in PRC.

## **Products**

The Group currently holds permits for over 100 pharmaceutical products and national patents for production process of three products, including the production process of Olive Granules and the extracting method of Anti-diabetes Tea. However, the Group will continue to launch high quality products to benefit general public and at the same time enhance the profitability of the Group.

Moreover, the Group currently has three products approved for sale and use in Hong Kong. These products include Kanamycin Sulphate Injection Solution (硫酸卡那霉素注射液), Netilmicin Sulphate Injection Solution (硫酸奈替米星注射液) and Lincomycin Hydrochloride Injection Solution (鹽酸林可霉素注射液).

### **Parenteral Solution Products**

Turnover of parenteral solution products had a sustained growth last year. In order to keep this momentum and to solidify the position of “南少林” brand name, the Group will actively purchased high quality parenteral solution products from pharmaceutical research and development companies for launching the products manufactured under the “南少林” brand name.

### **Healthcare Pharmaceutical Products**

With the increase in income of PRC population, coupled with the increasing awareness of health consciousness, the turnover of healthcare pharmaceutical products should maintain steady growth. In future, we will continue to launch diversified healthcare pharmaceutical products to cope with different market needs.

## **TARGET CUSTOMERS**

The Group's injection products are intended for patients in hospitals or clinics, while healthcare products are intended for people in the country who are healthcare conscious. The healthcare pharmaceutical products, manufactured by the Group and extracted from natural Chinese herbs, include Anti-blood pressure Tea, Anti-diabetes Tea and Olive Granules. They are catered for people living in the cities with symptoms of high blood pressure, diabetes and liver damage by alcoholism and therefore, widely accepted by the market once launched.

## **PLANT AND PRODUCTION FACILITIES IMPROVEMENTS**

All the production lines of the Group were granted GMP certification by the State Food And Drug Administration Bureau. The Group currently has one production line for each of the large volume parenteral solution product and small volume parenteral solution product. Moreover, we have 15 production lines of healthcare pharmaceutical products manufacturing different product categories like: pill, capsule, granule, powder, herbal tea, edible solution, syrup, suspension, nasal drop, eye drop, ear drop, tincture, solution, suppository and aerosol.

In order to enhance our product quality, the Group will continue to invest to improve our plant and production facilities. The purpose of which is to maintain raw materials standard and on-going improvement in productivity.

## **PLACING OF SHARES**

In 2007, the stock market in Hong Kong was robust and investors were optimistic about the future outlook of the Group. The Group placed shares respectively in February and August, 2007. The Board considered placing shares as an opportunity for the Group to raise additional fund and to enlarge the Group's shareholder base and capital base, and through the activities, the liquidity of the shares would be improved.

## **DIVIDENDS AND DIVIDEND POLICY**

In view of the continuous investments in enhancing our plant quality and productivity and our active sourcing of high quality pharmaceutical products in improving our profitability, the Board of Directors do not recommend the distribution of final dividend for the year ended 31 December 2007 (2006: HK\$0.038 per share).

## **APPRECIATION**

On behalf of the Board, I would like to express my warmest thanks to the management and our employees for their dedications and significant contributions in the past year. I would also like to extend my sincere gratitude to all our shareholders and investors for their endless support.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

The Group continued to launch high quality products into the market. In 2007, we launched 21 healthcare pharmaceutical products (2006: 11) with turnover of approximately HK\$83 million, up approximately 48% as compared to HK\$56 million in 2006. We also launched 66 parenteral solution products (2006: 62) in 2007 with turnover of approximately HK\$328 million, up approximately 15% as compared to HK\$286 million in 2006. The healthcare pharmaceutical products and parenteral solution products accounted for 20% and 80% of the total turnover of the Group respectively.

For the year ended 31 December 2007, the consolidated turnover of the Group was approximately HK\$412 million, up 20% as compared to the turnover of same period last year of approximately HK\$342 million. Net profit after taxation was approximately HK\$91 million, up 8% as compared to same period last year. Gross margin was approximately 39% (2006: 40%). Earnings per share of the Group in 2007 was HK20.49 cents (2006: HK20.98 cents).

### Sale of products

As at 31 December 2007, the Group offered 87 types of products in different package, which were all sold in the PRC and denominated in Renminbi. Customers of the Group mainly comprised licensed pharmaceutical distributors, hospitals and clinics in the PRC.

	Major Districts in the PRC For the Year ended 31 December									
	2003		2004		2005		2006		2007	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Eastern region (Shanghai, Zhejiang province, Jiangxi province and Fujina province)	119,756	59	134,153	57	158,081	61	225,172	66	273,433	66
Southwestern Region (Yunan Province, Guizhou Province and Chongqing)	34,223	17	37,084	16	33,646	13	47,694	14	53,463	13
Southern Region (Guangdong Province and Guangxi Autonomous Region)	31,533	15	44,094	19	49,159	19	57,379	16	70,532	17
Northern Region (Beijing and Henan Province)	12,671	6	14,761	6	14,340	5	5,665	2	3,992	1
Central Region (Anhui Province and Hunan Province)	5,337	3	3,805	2	4,606	2	6,322	2	10,570	3
Total	<u>203,520</u>	<u>100</u>	<u>233,897</u>	<u>100</u>	<u>259,832</u>	<u>100</u>	<u>342,232</u>	<u>100</u>	<u>411,990</u>	<u>100</u>

	Type of Customers									
	For the Year ended 31 December									
	2003		2004		2005		2006		2007	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Distributors	178,164	88	185,896	79	197,246	76	234,941	69	315,591	77
Hospitals and Clinics	25,356	12	48,001	21	62,586	24	107,291	31	96,399	23
Total	<u>203,520</u>	<u>100</u>	<u>233,897</u>	<u>100</u>	<u>259,832</u>	<u>100</u>	<u>342,232</u>	<u>100</u>	<u>411,990</u>	<u>100</u>

## Financial information

The Group had cash and bank balances totalling HK\$124 million as at 31 December 2007. As the Group had no outstanding bank loan, the gearing ratio was zero (2006: zero). The current and quick ratios in 2007 were 5.26 and 4.66 respectively (2006: 4.63 and 4.43). As at 31 December 2007, the debtors turnover, inventory turnover and creditors turnover were 89 days, 34 days and 41 days respectively (2006: 79 days, 12 days and 42 days respectively). Overall, the Group has a sound financial position to support its future development.

## Capital expenditure

During the year ended 31 December 2007, the Group acquired new plant equipment and facilities totaling HK\$100 million.

## Contingent liabilities

As at 31 December 2007, the Group and the Company did not have any significant contingent liability (2006: Nil).

## Charge on the Group's assets

The Group had no charges on the assets as at 31 December 2007.

## Changes in the organisation of the group

Since its listing and up to 31 December 2007, the Group did not acquire or dispose of any subsidiary.



### **Closure of register of members**

The Register of Members of the Company will be closed from 26th May 2008 to 28th May 2008, both days inclusive, during which period no transfers of shares shall be effected. 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 4:30 p.m. on 23rd May 2008.

### **Audit committee**

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. 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 qualified accountant, 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. Four meetings were held during the current financial year.

### **Employees and remuneration policy**

As at 31 December 2007, the Group had a total of 134 employees (December 2006: 127). 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.

## **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 “STOCK EXCHANGE”)**

The 2007 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 will be published on the website of 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 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**

During the accounting period covered by this 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.

## **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 over the year.

## **DIRECTORS**

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

By Order of the Board

**Zhong Houtai**

*Chairman*

21 April 2008