



Chairman's Statement

I am pleased to present to our shareholders the annual report of Broad Intelligence International Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

BUSINESS REVIEW

The Group had continued to introduce high quality products to the market. In 2006, we launched 11 healthcare pharmaceuticals (2005: 5) with turnover of approximately HK\$56 million, accounted for 16% of the total turnover of the Group. In 2006, we launched 62 parenteral solution products (2005: 55) with turnover of approximately HK\$286 million, up 20% as compared to HK\$239 million in 2005.

PRODUCTS

The Group currently holds permits for over 100 pharmaceutical products. We anticipate that there will be 3 to 4 permits of pharmaceutical products granted to us each year.

TARGET CUSTOMERS

Healthcare products are popular nowadays. Therefore, the Group will launch new products to meet the demand in this market. Points-of-sales of the Group's healthcare products include drug stores and supermarkets. While customers who are sick may take them for curing need, those who do not have any illness may also take them for healthcare purpose. By extending its existing market with the healthcare products, the Group will move forward to a new horizon in terms of product sales.

RESULTS

Building on the Group's great efforts and solid foundation, the Group recorded a consolidated turnover of approximately HK\$342 million for the year ended 31 December 2006, representing an increase of 32% when compared with HK\$260 million of last year. Profit after tax was approximately HK\$84 million, representing an increase of 27% over last year. Gross profit margin was approximately 40% (2005: 40%). Sales of healthcare products was approximately HK\$56 million, accounted for approximately 16% of the Group's total turnover. Sales of parenteral solution products for 2006 was approximately HK\$286 million, representing an increase of 20% compared to HK\$239 million of last year.

DIVIDENDS AND DIVIDEND POLICY

To reward our shareholders for their support to the Group over the years, the board of directors proposed a dividend at a payout ratio of 20% to be paid out of the 2006 after tax profit.



OUTLOOK AND PROSPECT

Sales of Pharmaceuticals

Healthcare pharmaceutical products

Sales of healthcare pharmaceutical products in the first half of 2006 was approximately HK\$22 million and amounted to HK\$56 million for the full year. It showed that the products of the Group were well received by the market, and we anticipate that our sales will keep growing steadily in the future. The production lines of the Group are capable to meet the demand for the coming few years.

Tenders of pharmaceutical rights

In 2007, Guangdong, Fujian and Guizhou have introduced unified tenders of pharmaceutical distribution rights at provincial level. The Group enjoyed fruitful results in pharmaceutical tenders in these provinces. It obtained distribution rights for approximately 80, 70 and 30 pharmaceutical products in Fujian, Guizhou and Guangdong respectively. The Group expects a record-breaking year of 2007 in terms of parenteral solution products sales.

Expansion of Production Facilities

The Group has acquired a parcel of land with an area of more than 26,000 square meters (40 mous) adjacent to its existing production facilities for the construction of raw materials production facilities, which will be used for the extraction of pure Chinese herbal essence for the Group's side effect-free, worldwide exclusive proprietary products "護肝胃酒靈 (Olive Granules)" and Anti-diabetes Tea. Construction of the production facility is expected to be completed in early 2008 and to commence operation in mid 2008.

While the Group is still using glass bottles for large volume parenteral solution, it is becoming more popular in the market to use containers made of plastic materials. The Group is thus considering a shift to using plastic containers. It is contemplating of setting up a new production line for manufacture of plastic packaging materials supplying to the Group in 2008 to 2009 so as to ensure the quality control and cost saving. It may also consider to sell packaging materials to external customers.



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Expansion into Overseas Markets

In November 2006, permits of 2 parenteral solutions of the Group had been duly granted by the Health Department of Hong Kong upon submission to strict review and approval procedures. Other applications for sales of products in Hong Kong are being processed.

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. I would also like to thank all our shareholders and investors for their support to the Group.

By order of the board

Zhong Houtai

Chairman

Hong Kong, 23 April 2007