Anxin-China Holdings Limited
中國安芯控股有限公司

(Incorporated in the Caymans Islands with limited liability)

(Stock code: 1149)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors (the "Board") of Anxin-China 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 2011, together with comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Continuing operations			
Turnover	*4*	**598,172**	304,970
Cost of sales		**(61,689)**	(46,232)
Gross profit		**536,483**	258,738
Other revenue	*6*	**48,368**	38,934
Other gains and losses	*7*	**(22,315)**	(628)
Distribution costs		**(40,163)**	(20,146)
Administrative expenses		**(56,317)**	(30,308)
Research and development expenses		**(51,462)**	(13,934)
Finance costs	*8*	**(12,346)**	(49,667)
Profit before income tax expense	*10*	**402,248**	182,989
Income tax expense	*9*	**1,972**	(12,458)
Profit for the year from continuing operations		**404,220**	170,531

	Notes	2011 HK$'000	2010 HK$'000
Discontinued operation			
Profit for the year from discontinued operation		**–**	74,378
Profit for the year		**404,220**	244,909
Other comprehensive income includes			
Exchange gains arising during the year		**125,717**	13,113
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations		**–**	(76,126)
Other comprehensive income for the year		**125,717**	(63,013)
Total comprehensive income for the year, attributable to owners of the Company		**529,937**	181,896
Profit for the year attributable to owners of the Company			
Profit for the year from continuing operations		**404,220**	170,531
Profit for the year from discontinued operations		**–**	74,378
		404,220	244,909
Earnings per share from continuing and discontinued operations *(HK cents)*	*12*		
– Basic		**16.37**	16.44
– Diluted		**15.35**	11.66
Earnings per share from continuing operations *(HK cents)*	*12*		
– Basic		**16.37**	11.45
– Diluted		**15.35**	8.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**107,719**	18,300
Payments for acquisition of non-current assets		**–**	96,530
Goodwill		**1,129,430**	1,040,427
Deferred tax assets		**5,338**	–
Other intangible assets		**83,722**	115,332
Total non-current assets		**1,326,209**	1,270,589
Current assets			
Inventories		**10,798**	1,925
Trade and other receivables	*13*	**235,468**	89,717
Cash and cash equivalents		**1,077,795**	400,322
Total current assets		**1,324,061**	491,964
Total assets		**2,650,270**	1,762,553
Current liabilities			
Trade and other payables	*14*	**49,782**	26,344
Borrowings		**–**	20,483
Current tax liabilities		**12,963**	9,111
Total current liabilities		**62,745**	55,938
Net current assets		**1,261,316**	436,026
Total assets less current liabilities		**2,587,525**	1,706,615
Non-current liabilities			
Convertible notes		**–**	183,430
Deferred tax liabilities		**11,929**	17,689
Total non-current liabilities		**11,929**	201,119
Total liabilities		**74,674**	257,057
NET ASSETS		**2,575,596**	1,505,496
Capital and reserves attributable to owners of the Company			
Share capital	*15*	**268,087**	207,975
Reserves		**2,305,066**	1,297,521
Equity attributable to owners of the Company		**2,573,153**	1,505,496
Non-controlling interests		**2,443**	–
TOTAL EQUITY		**2,575,596**	1,505,496

Notes:

1. GENERAL

Anxin-China Holdings Limited ("the Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is located at Unit 01-05, 20F, Harbour Centre, No.25 Harbour Road, Wanchai, Hong Kong.

The Group, comprising the Company and its subsidiaries, is engaged in sale of system hardware and application software for installation of Intelligent Surveillance Disaster Alert & Rescue Coordination ("ISD") Systems and provision of system solutions services and investment holding.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to the Group's financial statements for the annual period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

HKFRS 3 (Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as there was no business combination transaction during the year and the business combinations in prior years did not include any NCI.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no change in related parties was identified for the current year and comparative periods. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]

[1] *Effective for annual periods beginning on or after 1 July 2011*
[2] *Effective for annual periods beginning on or after 1 July 2012*
[3] *Effective for annual periods beginning on or after 1 January 2013*
[4] *Effective for annual periods beginning on or after 1 January 2014*
[5] *Effective for annual periods beginning on or after 1 January 2015*

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. TURNOVER

Turnover represents the invoiced value of sale of application software and system hardware and system solution service income, after discounts and rebates, earned by the Group. The amounts of each significant category of revenue recognised in turnover during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales of application software and system hardware	**563,843**	267,940
System solution service income	**34,329**	37,030
	598,172	304,970

5. SEGMENT REPORTING

The Group determines its operating segment based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions and assess performance.

Business segment

With the disposal of the Group's Pharmaceutical business of manufacturing, sale, and research and development of pharmaceutical products on 6 August 2010, the Group focuses only on the "Intelligent Surveillance Disaster Alert & Rescue Coordination ("ISD") Systems" operations (which is made up of the sale of system hardware and application software for installation of Intelligent Surveillance Disaster Alert & Rescue Coordination Systems and provision of system solutions services). Therefore, the Group only has one operating segment in its continuing operations, and no information of segment results and segment assets and liabilities is disclosed for the years ended 31 December 2010 and 2011.

Geographical information

The revenue from external customers attributable to ISD Systems operations amounted to HK$598,172,000 (2010: HK$304,970,000). The directors of the Group consider that the Group's total consolidated revenue and substantial consolidated results are attributable to the market in the PRC. The Group's consolidated non-current assets are substantially located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

The following is the Group's major external customers, who contributed 10% or more to the Group's revenue:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**141,645**	79,732
Customer B	**114,786**	–
Customer C	**75,971**	–

6. OTHER REVENUE

	2011	2010
	HK$'000	*HK$'000*
Refund of value-added tax *(note a)*	**41,723**	38,028
Interest income from bank deposit	**4,564**	633
Subsidy income *(note b)*	**2,081**	273
	48,368	38,934

Note (a):

The refund of value-added tax ("VAT") represents the benefits from VAT collected from customers on the sale of self-developed software which are eventually retained by the Group according to the "Circular on value-added tax ("VAT") policy on software products "(No. 100 [2011] Cai-Shui), issued by the State Administration of Taxation and the Ministry of Finance.

Note (b):

The Group received subsidies from local PRC government for launching projects relating to research and development activities. There are no unfulfilled conditions relating to these grants.

7. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Exchange (gains)/losses, net	**(10,540)**	628
Provision for impairment loss on trade receivables	**23,493**	–
Provision for impairment loss on property, plant and equipment	**9,133**	–
Others	**229**	–
	22,315	628

8. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within five years	**365**	1,925
Effective interest expense on convertible notes	**11,981**	47,742
	12,346	49,667

9. INCOME TAX EXPENSE

(a) The amount of taxation in the consolidated statement of comprehensive income represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax ("EIT")		
– tax for the year	**12,677**	9,528
– over provision in respect of prior year	**(3,667)**	–
	9,010	9,528
Deferred tax		
– (credit)/charge to profit or loss for the year	**(10,982)**	2,930
Income tax (credit)/expense	**(1,972)**	12,458

No provision for profits tax for group entities in the Cayman Islands or the British Virgin Islands has been made as these entities had no income assessable for profits tax in these jurisdictions for current and prior years.

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for subsidiaries incorporated in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2010: Nil).

According to the Implementation Guidance, Shenzhen Anxin Digital Development Co., Ltd. ("Shenzhen Anxin") was subject to a transitional period of five years as it is located in Shenzhen Special Economic Zone whereby the applicable EIT 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 dated 25 June 2010 issued by the Tax Bureau of Hongze, Jiangsu Province, the Company's subsidiary, Jiangsu Hongxin Intelligence Technology Co., Ltd. ("Jiangsu Hongxin") qualifies as a software-producing enterprise and is entitled to EIT exemption for the years 2010 and 2011 and a 50% reduction in EIT for the years from 2012 to 2014.

Other subsidiaries, which were established and operate in the PRC, are subject to EIT at a standard rate of 25% (2010: 25%).

(b) The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Profit before tax	**402,248**	182,989
Tax calculated at PRC EIT rate of 24% (2010: 22%) *(note)*	**96,540**	40,257
Effect of tax exemption and different tax rates of subsidiaries operating in other jurisdictions	**(94,200)**	(48,803)
Tax effect of expenses not deductible for tax purpose	**1,878**	22,794
Tax effect of revenue not taxable	**(2,523)**	(1,790)
Over provision in respect of prior year	**(3,667)**	–
Income tax (credit)/expense	**(1,972)**	12,458

Note: The 24% tax rate represents the applicable tax rate of the Company's major subsidiary, Shenzhen Anxin.

10. PROFIT BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATION

Profit before income tax expense is arrived at after charging/(crediting):

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**27,019**	10,748
Staff costs	**14,430**	5,866
Depreciation of property, plant and equipment	**7,610**	2,752
Amortisation of intangible assets (included in cost of sales)	**31,718**	35,484
Auditor's remuneration	**2,044**	2,600

11. DIVIDENDS

At the Company's board meeting on 13 March 2012, the directors recommended a final dividend of HK3 cents (2010: HK$Nil) per ordinary share. The proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting and not reflected as a dividend payable in these financial statements. It will be reflected as an appropriation of share premium for the year ended 31 December 2011.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

From continuing operations and discontinued operations

	2011	2010
	HK$'000	*HK$'000*
Earnings for the purposes of basic earnings per share	**404,220**	244,909
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**11,981**	47,742
Earnings for the purposes of diluted earnings per share	**416,201**	292,651

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousands)*	**2,469,690**	1,489,569
Effect of dilutive potential ordinary shares *(thousands)*:		
– convertible notes	**229,657**	1,013,799
– warrants	**12,064**	6,681
Weighted average number of ordinary shares for the purposes of diluted earnings per share *(thousands)*	**2,711,411**	2,510,049

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity is based on the following data:

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the parent	**404,220**	244,909
Less: Profit for the year from discontinued operations	**–**	74,378
Earnings for the purposes of basic earnings per share from continuing operations	**404,220**	170,531
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**11,981**	47,742
Earnings for the purposes of diluted earnings per share from continuing operations	**416,201**	218,273

Note:

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the year ended 31 December 2011.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operation for the year ended 31 December 2010 was HK4.99 cents per share and diluted earnings per share for the discontinued operation was HK2.96 cents per share, based on the profit for the year from the discontinued operations of HK$74,378,000 and the denominators detailed above for both basic and diluted earnings per share.

13. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**207,427**	66,100
Other receivables	**11,709**	11,337
Amount due from related party	**–**	10
Amount due from a director	**495**	336
Rental and utility deposits	**2,700**	716
Advance to suppliers	**13,137**	11,218
	235,468	89,717

The amounts due from related party and director are unsecured, interest free and repayable on demand.

Other receivables are assessed to be impaired individually based on the indication of financial difficulties and default in payments at each reporting date and no impairment losses was recognised during the years ended 31 December 2011 and 2010. The Group does not hold any collateral over these balances. Other receivables, deposits and prepayments are interest free.

In general, the credit terms granted by the Group ranged from 90 to 180 days, while the retention monies held in relation to the application software are receivable 12 months after installation of software. The following is an aged analysis of trade receivables net of allowance for impairment losses presented based on the invoice date at the end of reporting period.

	2011	2010
	HK$'000	*HK$'000*
Aged:		
Within 30 days	**8,277**	9,496
31 – 60 days	**87,829**	15,381
61 – 90 days	**49,220**	14,843
91 – 180 days	**3,946**	20,261
181 – 365 days	**58,155**	2,505
More than 365 days	**–**	3,614
	207,427	66,100

Of the trade receivables balance at the end of the year, HK$67,174,000 (31 December 2010: HK$23,750,000) is due from the Group's largest customer. There are another seven customers (31 December 2010: five customers) who represent more than 5% of the total balance of trade receivables. These customers are governmental bureaus with no history of default in the past.

The below table reconciled the impairment loss of trade receivables for the year:

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**–**	–
Provision for impairment loss recognised	**23,493**	–
At 31 December	**23,493**	–

Trade receivables (net of impairment losses) with the following aging analysis using allowed credit term as of the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
Current *(note a)*	**200,221**	64,730
Less than 30 days past due	**–**	1,370
31 – 90 days past due	**7,196**	–
91 – 120 days past due	**10**	–
Amount past due but not impaired at the end of reporting period *(note b)*	**7,206**	1,370
	207,427	66,100

Notes:

(a) The balances that were neither past due nor impaired relate to customers for whom there was no recent history of default.

(b) At each reporting date, the Group's trade receivables were individually and collectively determined for impairment purposes. The individually impaired receivables are recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The balances that were past due but not impaired because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

14. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**8,714**	796
Other payables and accruals	**38,702**	5,329
Other tax payables	**40**	18,567
Amounts due to related parties	**2,076**	1,413
Advance from customers	**250**	239
	49,782	26,344

The amounts due to related parties are unsecured, interest free and repayable on demand.

In general, the credit terms granted by suppliers ranged from 90 to 180 days. The aging analysis of trade payables prepared based on invoice date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Aged:		
Within 30 days	**917**	160
31 – 60 days	**–**	–
61 – 90 days	**–**	12
91 – 180 days	**7,323**	122
181 – 365 days	**–**	–
More than 365 days	**474**	502
	8,714	796

15. SHARE CAPITAL

Authorised, issued and fully paid

	2011	**2011**	2010	2010
	Number		*Number*	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised				
Ordinary shares of HK$0.1 each	**4,000,000**	**400,000**	4,000,000	400,000
Issued and fully paid				
Ordinary shares of HK$0.1 each				
At beginning of year	**2,079,746**	**207,975**	1,004,299	100,430
Issue of shares on conversion of convertible notes *(note a)*	**432,307**	**43,230**	1,065,447	106,545
Issue of shares on exercise of warrants *(note b)*	**75,000**	**7,500**	10,000	1,000
Purchase of own shares for cancellation *(note c)*	**(46,280)**	**(4,628)**	–	–
Issue of new shares *(note d)*	**140,100**	**14,010**	–	–
At end of the year	**2,680,873**	**268,087**	2,079,746	207,975

Note:

(a) On 4 January 2010, 5 January 2010, 16 April 2010, 28 April 2010, 17 May 2010, 14 June 2010, 12 July 2010, 19 August 2010, and 17 November 2010, the convertible notes in an aggregate principal amount of HK$33,540,400, HK$10,000,000, HK$130,000,000, HK$23,059,400, HK$97,500,000, HK$2,940,600, HK$6,500,000, HK$200,000,000 and HK$189,000,000 respectively were converted into the Company's shares at a conversion price of HK$0.65 per share. As a result of the conversion, 1,065,446,770 new shares were issued.

On 19 May 2011, 23 November 2011 and 5 December 2011, the convertible notes in an aggregate principal amount of HK$200,000,000, HK$41,000,000 and HK$40,000,000 were converted into the Company's shares at a conversion price of HK$0.65 per share. As a result of the conversion, 432,307,000 new shares were issued. All the convertible notes were converted during the year 2011.

(b) On 28 October 2010, the Company entered into the warrant placing agreement with an independent placing agent (the "Placing Agent"), whereby the Company appointed the Placing Agent as the sole and exclusive placing agent to procure not less than six placees to subscribe for up to 100,000,000 unlisted warrants (the "Warrants"), on the best effort basis, at the warrant issue price of HK$0.01 per Warrant. The net proceed from issue of warrants amounted to HK$872,000.

The Warrants entitle the placees to subscribe for a maximum of 100,000,000 new shares at an initial subscription price of HK$1.22 per new share (subject to adjustment) for a period of 24 months commencing from (and inclusive of) the date of issue of the Warrants. Each Warrant initially carries the right to subscribe for one new share.

During the years of 2010 and 2011, 10,000,000 and 75,000,000 warrants were exercised, respectively, at a subscription price of HK$1.22 per share, resulting in the issue of 10,000,000 and 75,000,000 ordinary shares of HK$0.1 each.

(c) Pursuant to the repurchase mandate granted to the directors at the annual general meeting of the Company held on 3 June 2011 (the "Repurchase Mandate"), the directors is allowed to repurchase shares in the Company not exceeding 10% of the issued share capital of the Company. Up to 31 December 2011, the Company has repurchased a total of 46,280,000 of its own shares pursuant the Repurchase Mandate.

(d) On 6 January 2011, the Vendor (a shareholder of the Company) and the Company entered into the Subscription and Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed, on a best effort basis, to procure at least six investors to purchase, and the Vendor has agreed to sell, up to 150,000,000 existing shares at a price of HK$2.30 per Placing Share. Subject to the completion of the Placing, the Vendor agrees to subscribe for and the Company agrees to allot and issue to the Vendor up to 150,000,000 new shares which is equal to the number of Placing Shares at a price of HK$2.30 per Subscription Share.

The placing and the subscription took place on 20 January 2011. A total of 140,100,000 Placing Shares have been successfully placed to not less than six independent investors at the Placing Price of HK$2.30 per Placing Share, and a total of 140,100,000 Subscription Shares of HK$0.1 each have been allotted and issued to the Vendor by the Company at the Subscription Price.

Capital management policy

The Group's objectives when managing capital are to safeguard the group entities' ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made to the objectives or policies during the year.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

The Group monitors capital with reference to its assets position. The Group's strategy is to maintain a solid base to support the operations and development of its business in the long term. The Group's gearing ratio, being the Group's equity attributable to equity shareholders over its total assets, as at 31 December 2011 was 97.1% (2010: 85.4%).

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirement.

16. EVENTS AFTER THE REPORTING PERIOD

As announced on 14 November 2011, the Company entered into an acquisition agreement pursuant to which the Company has conditionally agreed to acquire 100% equity interest of Yu Hong Investment Limited ("Yu Hong"), which is an investment holding company at an aggregate consideration of HK315,000,000 of which HK$126,000,000 was satisfied by cash and the balance of HK$189,000,000 by way of promissory note to be issued by the Company upon the completion (the "Acquisition"). The process of the Acquisition has not been completed at the date of this announcement as not all the conditions precedent has been fulfilled.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Anxin-China Holdings Limited (the "Company" or "Anxin-China") and its subsidiaries (the "Group"), I am pleased to deliver a set of impressive results for the year ended 31 December 2011 to our shareholders.

During the year, the Group's turnover increased substantially by 96% to HK$598 million, as compared to HK$305 million in the previous year. Profit for the year from continuing operations was HK$404 million, representing a spectacular year-on-year increase of 137%. Total comprehensive income attributable to owners of the Company also increased by a staggering 191% to HK$530 million (2010: HK$182 million).

Basic earnings per share from continuing operations rose by 43% to 16.37 HK cents (2010: 11.45 HK cents). Diluted earnings per share amounted to 15.35 HK cents (2010: 8.70 HK cents), representing an increase of 76%.

Our balance sheet is equally strong. As at 31 December 2011, cash held by the Group amounted to HK$1,078 million (31 December 2010: HK$400 million). Thanks to strong operating cash inflows, the Group's borrowings were reduced to zero at the year end (31 December 2010: HK$20.48 million).

The Board of Directors has recommended the payment of a final dividend of 3 HK cents per share in respect of this financial year.

Our resounding success is primarily due to two factors. Firstly, thanks to the Chinese Government's increasing emphasis on the safety of coal mining and multi-industrial after accession to the WTO, we enjoy favorable policies and strong support from local governments. Secondly, we possess leading edge Internet-of things technologies which enable us to maintain our undisputed leadership in the ISD industry.

We are not only a first mover, but is also the dominant ISD solution provider in China. At the end of 2011, our footprint spanned across 30 municipalities in 9 provinces and covered a total of 13,002 surveillance points in China.

Despite our strong financial performance, it has to be reminded that the ISD industry is still at its infancy stage and there is more than ample room for continuing exponential growth. In 2008, the State Administration of Work Safety identified 31 categories of "origins of peril" for public and industrial safety purposes. In its 12th 5-year Plan, the Central Government re-affirmed its determination and commitment to improving coal mining and multi-industrial safety. ISD systems are expected to be installed to cover all 31 categories of "origins of peril" over the next 10 to 15 years. Based on our own estimates, there are at least 1 million surveillance points across the country if the government's goal of installing ISD systems to cover all 31 categories of "origins of peril" is to be fulfilled. What is more noteworthy is that in October 2011, the "Safe Industrial Production [12-5] Plan"《安全生產「十二五」規劃》 was announced. The Plan stipulates that local governments are expected to dedicate at least 5% of their annual budgets to support and facilitate the improvement of industrial production safety. This new measure is expected to further fuel the already rapid growth of the ISD market.

In its 12th 5-Year Plan, the Chinese Government put forward the concept of "Smart City". This concept encompasses the ideas of "Safe City", "Public Safety" and "Environmental Protection Surveillance". This offers an enormous business opportunity to the Group. In its "China Public Safety [12-5] Development Plan"《中國安防行業「十二五」發展規劃）》, the Government has set a target to double the country's public safety infrastructure by 2015. It is estimated that the industry size of public safety could reach RMB 500 billion by 2015. In addition, according to the recently announced "Environmental Protection [12-5] Plan"《國家環境保護「十二五」規劃》, RMB3,400 billion is expected to be spent in order to enforce and monitor the implementation of environmental protection regulations.

Our R&D expenditure is budgeted at 8% of turnover. Our aim is to develop more high tech products for applications in the industrial safety and environmental protection business. For example, we are currently at testing stage for our state-of-the-art intelligent wide-angle CCTV with facial recognition and scenario analysis capabilities. Using the latest Internet-of-things technologies, this new product automatically collects, analyses and manages data and information relating to public safety or environmental protection. This new product will assist government institutions in monitoring public safety and the environment on a real time basis, as well as providing advance alert and taking rescue or remedial actions.

To conclude, the current macro backdrop is greatly beneficial to us. Supported by favorable government policies, enormous growth opportunities are abound for us. Our leading edge in Internet-of-things technologies also equips us with the ability to become first movers to exploit the opportunities made available to us by the government's initiatives to step up coal mining and multi-industrial safety, public safety and environmental protection surveillance.

Last but not the least, on behalf of the Board, I would like to take this opportunity to acknowledge the tremendous efforts and contributions made by our management and staff last year. I would also like to extend my heartfelt gratitude to our stakeholders and business partners for their unrelenting support and trust.

Liu Zhongkui
Chairman and Chief Executive Officer

Hong Kong, 15 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Financial highlights

Year 2011 saw significant progress in the Group's performance.

Turnover increased substantially by 96% to HK$598 million, as compared to HK$305 million in the previous year. Profit for the year from continuing operations was HK$404 million, representing a spectacular year-on-year increase of 137%. Total comprehensive income attributable to owners of the Company also increased by a staggering 191% to HK$530 million (2010: HK$182 million).

Basic earnings per share from continuing operations rose by 43% to 16.37 HK cents (2010: 11.45 HK cents). Diluted earnings per share amounted to 15.35 HK cents (2010: 8.70 HK cents), representing an increase of 76%.

Cash flows generated from operations amounted to HK$336 million (2010: HK$314 million). As at 31 December 2011, cash held by the Group amounted to HK$1,078 million (31 December 2010: HK$400 million). Thanks to strong operating cash inflows, borrowings were reduced to zero at the year end (31 December 2010: HK$20.48 million).

The Group did not have any significant contingent liabilities as at 31 December 2011.

Profile of the Group

The Group is a first-mover and the largest integrated solution provider of ISD systems in China. It derives its income from: (1) customizing ISD solutions according to customer needs; (2) the provision of ISD hardware and software; and (3) ongoing ISD agency operations and maintenance services. Please refer to Diagram 1 for a pictorial description of a typical ISD System. The target customers of the Group are primarily government authorities, including the Administration of Work Safety, the Administration of Coal Mine Safety and the Production Safety Emergency Control Center, etc.

What are ISD Systems?

ISD systems are unique to China. ISD is an acronym standing for "Intelligent Surveillance, Disaster alert and Rescue Co-ordination". The system involves the setting up of a dedicated communications platform using leading edge Internet-of-things technologies, through which all the safety parameters obtained via on-site electronic sensors located at surveillance points, eg, gas content in a coal mine, oil pressure in an oil depot, etc, are transmitted to the Local Government Monitoring Centre via the Internet. Various transmission means can be employed, including public telecom networks, dedicated optical fiber cables or even satellites.

The Local Government Monitoring Centre monitors such information and data on a real-time basis. Should any parameter exceed the pre-set safety limit, the system automatically sends out warning signals and rescue information to different interested parties, including the responsible person of the enterprise, relevant government departments such as the local safety bureau as well as other rescue agencies such as the police and the local hospitals.

Not only does the system alert the enterprise to take precautionary measures to avoid industrial disasters (under the supervision of the local government), but it also assists the local government in devising the optimal rescue co-ordination and contingency measures after the occurrence of an accident in order to minimize casualties.

In 2008, the State Administration of Work Safety identified 31 categories of "origins of peril" for coal-mining and multi-industrial safety purposes. See Diagram 2. Examples of such origins of peril are coal mines, gasoline stations and high human density locations. It is the Central Government's objective to install ISD systems to monitor all 31 categories of origins of peril across the nation over the next 10 to 15 years.

The Group is one of the pioneers and first movers of ISD systems and participated in the formulation of the standards of China's coal mining ISD system. It is also one of the earliest coal mining ISD system providers formally endorsed by the Chinese government. At present, the Group is the one and only ISD solution provider that is capable of providing multi-industry ISD systmes.

In 2008, the State Administration of Work Safety identified 31 categories of "origins of peril" that are prone to massive injuries and deaths. Currently, the Group's ISD systems are applied to 11 out of these 31 categories. These include coal mines, non-coal underground mines, open-pit mines, construction sites, storage area, gas stations, storage tank area, LPG stations, tailing ponds, dangerous goods operation and terminals for dangerous goods.

In addition to enjoying favorable government policies and support from local governments, the Group also places heavy emphasis on research and development in order to maintain its leading edge in the industry arena. As of 31 December 2011, the Group has already been awarded 32 patents and copyrights in China and was also accredited with the ISO9001: 2008 Quality Management System Standard Certification. The technology standards of the Group's subsidiaries are widely recognized. Jiangsu Hongxin Intelligence Technology Co., Ltd. ("Jiangsu Hongxin")（江蘇省洪芯智能技術有限公司）and Shenzhen Anxin Digital Development Co., Ltd. ("Shenzhen Anxin")（深圳市安芯數字發展有限公司）have been acknowledged with "State Hi-Tech Enterprise Certification" by the Ministry of Science and Technology of China. Shenzhen Anxin was also awarded various honors such as "The Leading Enterprise of China Software and Information Service of Internet-of-Things in 2009-2010" by the China Software Industry Association and the China Institute for Information Industry Development, as well as the Top Shenzhen 500 Small and Medium-sized Enterprises. Shenzhen Anxin successfully passed the CMMI Level 3 qualifications in 2011 and was further accredited for its technological achievements in the industry.

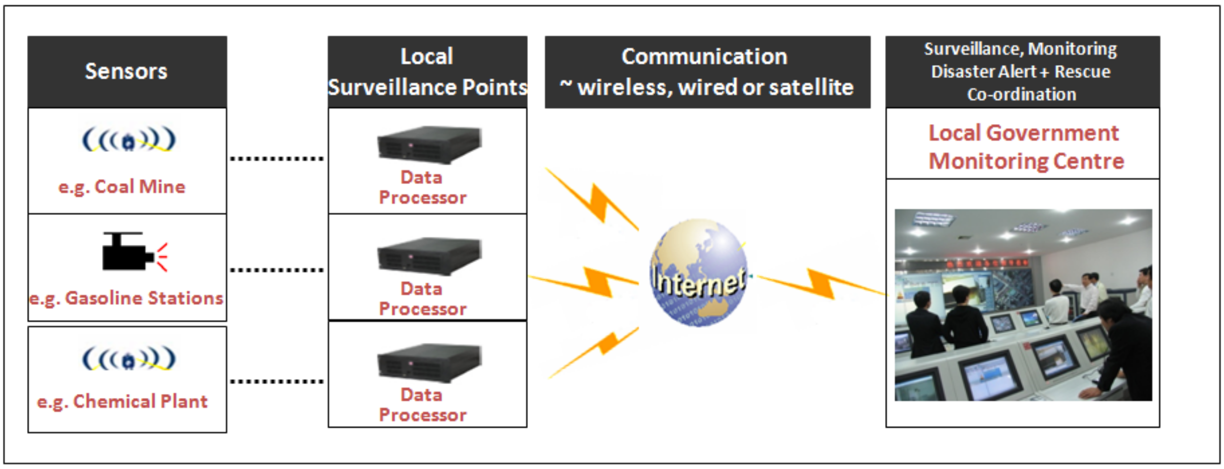
What is Internet-of things?

The concept of "internet-of-things" refers to the connection of objects (or "things" or "devices") through the internet, as distinguished from the old context of internet which refers to the connection of "people". Internet-of-things has multiple applications. "Things" that can be connected include various detection devices such as infrared sensors, global positioning systems, laser scanners, etc. Internet-of-things applications include intelligent identification and management (such as positioning, tracking, monitoring and management) of different objects, as well as analysis functionalities. Thanks to the breakthrough developments in wireless network technologies in recent years, applications of Internet-of-things technology have experienced rapid development around the world.

Internet-of-things in China

In 2010, the Chinese government promulgated the 12th Five-Year Plan in which it pushed forward the development of the Internet-of-things technologies and established Internet-of-things as one of the 7 new industries for strategic development purposes. The Plan also advocates the construction of a digital national government affairs network that will integrate and upgrade the capabilities of public services and management. According to the China Research and Development Center for Internet-of-things, the industry size of Internet-of-things could reach RMB750 billion by 2015.

Diagram 1：ISD System Operation Module for Coal Mine



Business review

Since China's accession to the World Trade Organization ("WTO"), the Government has been placing increasing emphasis on coaling mining and multi-industry production safety. In October 2011, the "Safe Industrial Production [12-5] Plan（安全生產「十二五」規劃）" was announced. The Plan stipulates that local governments are expected to dedicate at least 5% of their annual budgets to support and facilitate the improvement of industrial production safety.

Thanks to these favorable policies, the demand for ISD systems has enjoyed tremendous growth. As a result, the Group delivered remarkable results in the year under review. With its leading technology and R&D capabilities, the Group has also managed to maintain its undisputed market leadership position.

Why ISD systems are split between Coal-Mining ISD and Multi-Industry ISD system?

Prior to joining the WTO, China's pre-occupation of "generating economic growth" had resulted in relatively poor public and industrial safety records when compared to other developed countries. The situation is particularly acute in the coal-mining industry. According to the China Labor Bulletin, coal mining fatalities in China were 2,631 in 2009 as compared to only 18 in the US for that year. As such, coal mining safety was singled out by the Central Government as its top priority. The concept of using ISD systems as a monitoring tool in coal mining safety was first introduced in 2004, a year prior to its formal endorsement by the Central Government in the nation's 11th 5-year Plan in 2005 .

In 2008, the State Administration of Work Safety formally identified 31 categories of "origins of peril" that are prone to severe casualties. Not surprisingly, coal mines were included as a major origin of peril, along with other categories such as gas stations, non-coal mines, operations involving dangerous chemicals and radioactive devices, etc. ISD systems have since been proposed to monitor all 31 categories of "origins of peril". At present, two directly affiliated institutions under the State Council, namely, the State Administration of Coal Mine Safety and the Headquarters of the State Administration of Work Safety are respectively responsible for the monitoring of coal mining safety and safety over the other 30 categories of origins of peril.

During the year under review, various strategic measures were initiated by the Group in order to fully capitalize on the favorable industry backdrop, including: (1) successfully develop a new generation data processor; (2) the launch of a new market survey module (in the form of a USB) for enterprises to feed information and data to local safety bureaus through the internet; (3) a strategic acquisition to increase revenues and profits; and (4) conducting research and development to prepare the Group to expand into the arenas of public safety and environmental protection surveillance.

> As a result of this historical background, the ISD industry is conveniently split between coal-mining ISD and multi-industry ISD.
>
> In its 12th 5-year Plan in 2010, the Central Government re-affirmed it determination and commitment to improving public and industrial safety. ISD systems are expected to be installed to cover all 31 categories of "origins of peril" over the next 10 to 15 years. Based on the Group's own estimates, there are at least 1 million surveillance points across the country if ISD systems are to cover all 31 categories of "origins of peril".

Geographical and Business Coverage

During the year under review, the Group's business coverage increased from 8 provinces and over 20 municipalities and counties in 2010 to 9 provinces and 30 municipalities and counties by the year end. During the year under review, the Group established 3 new monitoring centers and increased its surveillance points under coverage from 6,493 in 2010 to 13,002 by the end of 2011, implying a net increase of over 100% in just one year. As at the end of 2011, the Group has established a total of 30 ISD monitoring centers covering a total of 13,002 surveillance points.

In 2011, the Group further expanded its coverage from 7 categories of the 31 types of origins of peril as stipulated by the State Administration of Work Safety to 11 categories, namely, coal mines, non-coal mines, open-pit mines, construction sites, storage area, gas stations, storage tank area, LPG stations, tailing ponds, dangerous chemical goods operation and dangerous goods production plants.

Diagram 2: 31 Types of Origins of Peril

Note: Those marked in green represent the newly coverage by Anxin-China in 2011 and those marked in yellow represent the types that Anxin-China had covered as at 31 December 2010.

Coal Mining ISD

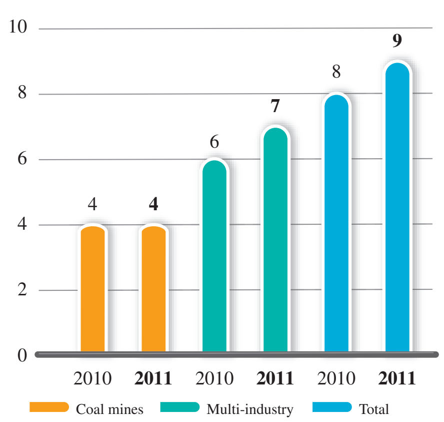
As at the end of 2011, the footprint of the Group's coal mining ISD systems spanned across 4 provinces with a total of 23 monitoring centers and 6,019 surveillance points, making the Group the largest provider of ISD systems in the coal mining ISD market.

Multi-industry ISD

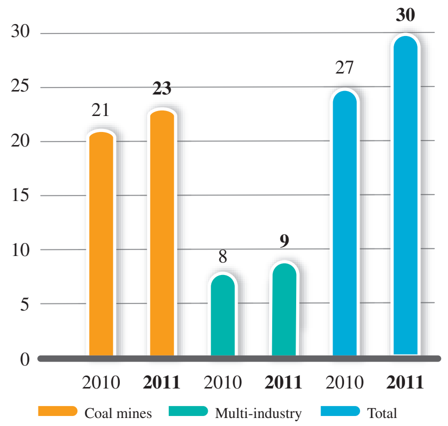
Currently, the Group is the one and only provider of multi-industry ISD system providers in China.

As at the end of 2011, the Group's multi-industry ISD systems spanned across 7 provinces covering a total of 7 monitoring centers and 6,983 surveillance points.

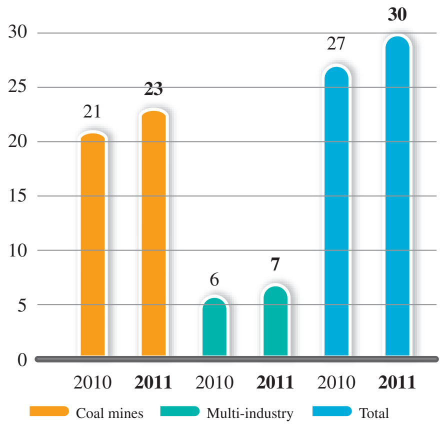
Provinces



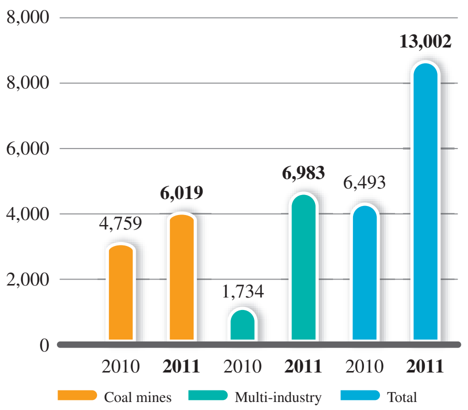
Cities and region



Monitoring centers



Surveillance points



Launch of new Market Survey Module in the form of a USB flash drive with built-in software

During the year under review, the Group has launched a new market survey module, in the form of a USB flash drive with built-in software. With the use of these new modules, reliable information and data regarding the 31 categories of "origins of perils" are fed through from the enterprises to the local safety bureaus speedily, thus enabling the local safety bureaus to devise optimal plans for public and industrial safety under their jurisdiction.

The Group charges a prescribed fee for each module sold to each local enterprise and the fees are collected via the local safety bureaus.

Research and Development Capabilities

The Group currently employs over 60 professionals in its R&D Department. During the year under review, the Group obtained two new patented rights, both of which also met with international quality certification standards. The Group's contribution to China's public and industrial safety is widely acclaimed. During the year, the Group won a number of new awards and honors, namely, the Shenzhen Nanshan Leading Enterprise Award（深圳市南山領軍企業); and was given corporate seats to act as the standing vice-president of the "Society of Shenzhen City Safety Production Science and Technology"（深圳市安全生產科學技術學會）as well as the standing director of the "Shenzhen International Chamber of Commerce"（深圳國際商會）.

Strategic Acquisition

In November 2011, the Group announced its acquisition of a PRC-based company called 深圳市豪威未來科技有限公司 (hereinafter referred to as "Hawell"). Hawell is principally engaged in the design, development, production and distribution of security and protection products as well as CCTV products such as DVR memory cards, DVRs, CCD cameras and relevant accessories for CCTV systems. The Group believes that synergistic benefits of this acquisition will be significant. As the Group already possesses leading edge intelligent facial recognition and scenario analysis technologies, these technologies can be readily applied to the CCTV products produced by Hawell, thus enabling the Group to expand its product offerings by moving down the value chain.

The total consideration of this acquisition is HK$315 million, of which HK$126 million is paid in cash with the balance of HK$189 million settled by way of a promissory note issued by the Group. The Vendor has provided a guarantee that the 2012 profit of Hawell shall not be less than HK$90 million, failing to meet with which the purchase price will be appropriately reduced.

Conducting R&D to pave the way of entry into the "Public Safety" and "Environmental Protection Surveillance" Markets

Currently, the Group's ISD systems are primarily catered for coal mining and multi-industrial production safety. In its 12th Five-Year Plan, the Central government initiated the concept of "Safe Cities（平安城市）" and "Smart Cities". The conceptual plan comprises various initiatives relating to public safety（公共安全）and surveillance of environmental protection（環保監控）. These two areas present enormous business opportunities to the Group.

The China Public Safety [12-5] Development Plan （中國安防行業「十二五」發展規劃）

As early as 2004, the Chinese government began to put forward the concept of "Safe Cities（平安城市）" in an effort to enhance public safety. In its 12th Five-Year Plan, the Chinese government concretizes the concept by advocating the construction of an "Urban safety surveillance and warning system" covering all the urban areas in China. In March 2011, the "China Public Safety Industry [12-5] Development Plan（中國安防行業「十二五」發展規劃）" was announced. As per this Plan, by the end of the 12th Five-Year Planning period, ie Year 2015, the scale of China's public safety infrastructure is targeted to double. This implies an average annual growth rate of 20% for the industry. It is expected that by 2015, the industry size of public safety would reach RMB500 billion.

In order to capitalize on the government's initiative on "Safe Cities（平安城市）", during the year under review, the Group completed the R&D in applying the Group's ISD system to public safety. Through wide-angle intelligent CCTV cameras with intelligent facial recognition and scenario analysis capabilities, the Group's newly developed system allows data and information relating to public safety to be collected and analyzed, thus realizing the government's goal of real time public safety monitoring and surveillance.

Under the recently announced "National Environmental Protection [12-5] Plan（國家環境保護「十二五」規劃）", the Chinese Government has proposed the establishment of a nationwide joint control mechanism for the monitoring of air pollution. The Plan also specifies that the monitoring of ozone and PM2.5 (which refers to granulated matter in the atmosphere with a diameter of less than or equal to 2.5 micrometers) shall be carried out and be included in routine measurements of air quality.

The National Environmental Protection [12-5] Plan （國家環境保護「十二五」規劃）

Along with rapid industrialization and urbanization in China, the country is threatened by environmental pollution such as water pollution, emissions of pollutants, and heavy metal and chemical pollution, which cause serious ecological damage in certain regions and jeopardize the quality of the environment.

In order to preserve the environment, the Chinese Government recently announced the "Environmental Protection [12-5] Plan". Under the Plan, RMB3,400 billion is expected to be invested in order to enforce and monitor the implementation of environmental protection regulations. Measures taken would include regular inspections of key environmental risk sources and regions.

The Plan also proposes that a nationwide control mechanism on air pollution, together with the relevant laws, regulations, and legally acceptable limits, be devised and formulated by 2015. With respect to air quality, the high priority regions, which include Beijing, Tianjin and Hebei, the Yangtze River Delta Region and the Pearl River Delta Region, are expected to meet with the National Grade II Standard by 2015. By then, acid rain, ash haze and photochemical smog pollution are expected to be reduced significantly and air quality is expected to be markedly improved in these regions.

The Group has started to study the benchmarks for environment pollution proposed by the Government. During the year under review, the Group has also embarked on the development of an online real-time system using Internet-of-things technologies in order to monitor pollution sources such as exhaust air and water sewage discharged by enterprises, noise emitted from construction sites and radioactive sources, etc.

Appointment of new Chief Executive Officer

In June 2011, the Group appointed Mr. Liu Zhongkui as Chief Executive Officer. Since taking up his new position, Mr. Liu has delivered impressive performance by leading the Group in the completion of various projects. Under the leadership of Mr. Liu, we believe the Group will continue its rapid development and success in the future.

Prospects

Thanks to favorable government policies and the Group's undisputed leadership position in the ISD industry, we believe that the Group will continue to see rapid earnings growth in the forthcoming years.

Going forward, in addition to the growth offered by ISD applications to industrial safety, Chinese government's increasing emphasis on "public safety" and "environmental protection surveillance" also present enormous growth opportunities to the Group.

Last but not the least, we wish to re-affirm that maximizing shareholder value, whilst adhering to the highest standards of corporate governance practices, always remain our top priority.

Financial Review

Turnover

For the year ended 31 December 2011, the consolidated turnover of the Group amounted to approximately HK$598,172,000 (2010: HK$304,970,000), representing an increase of approximately 96% compared with last year.

Gross Profit and Profit for the year

During the year, the Group's gross profit and profit for the year amounted to approximately HK$536,483,000 (2010: HK$258,738,000) and approximately HK$404,220,000 (2010: HK$244,909,000) respectively.

Total Comprehensive Income for the year, attributable to owners of the Company

Total Comprehensive Income for the year, attributable to owners of the Company was approximately HK$529,937,000 (2010: HK$ 181,896,000).

Earnings Per Share

The basic and diluted earnings per share for the year was HK16.37 cents (2010: HK16.44 cents) and HK15.35 cents (2010: HK11.66 cents) respectively.

Liquidity and Financial Resources

For the year, the Group's working capital requirement was principally financed by its internal resources.

As at 31 Decemeber 2011, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately HK$1,077,795,000 (2010: HK$400,322,000), HK$1,261,316,000 (2010: HK$436,026,000) and HK$2,587,525,000 (2010: HK$1,706,615,000) respectively.

As at 31 December 2011, the Group had no bank borrowings (2010: HK$20,483,000).

Total equity attributable to equity shareholders of the Company as at 31 December 2011 increased by 71% to approximately HK$2,573,153,000 (2010: HK$1,505,496,000).

The ratio of total liabilities to total assets of the Group as at 31 December 2011 was 2.8% (2010: 14.6%).

Share Capital

Shares were issued during the year on placing of shares, conversions of convertible notes and exercise of warrants.

Significant Investments

Shenzhen Ruian Information Technology Co., Ltd.（深圳市睿安信息技術有限公司）(Shenzhen Ruian) was incorporated in PRC in November 2011. The fully paid up capital of Shenzhen Ruian was RMB10 million. The Company subscribed 80% fully paid up capital of Shenzhen Ruian with RMB8 million. The Company anticipated that Shenzhen Ruian can further explore the ISD market.

Save as disclosed above, the Group had no significant investment held during the year.

Acquisition and Disposal of Subsidiaries and Associated Companies

On 14 November 2011, the Company, Yu Sheng Holdings Limited (the Vendor) and Mr. Wong King（王琼）, the sole shareholder and director of the Vendor (the Guarantor) entered into an Acquisition Agreement.

Pursuant to the Acquisition Agreement, the Company as purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of Yu Hong Investments Limited (the Target Company), together with the Shareholder's Loan 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 Completion Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group (the Target Company, Island Wide Investments Limited and 深圳市豪威未來科技有限公司 (the PRC Company)) will be consolidated into the accounts of the Group.

The aggregate consideration for the Acquisition shall be HK$315 million (subject to adjustment) which shall be paid in the following manner upon Completion:

(i) HK$126 million shall be satisfied by cash; and

(ii) HK$189 million shall be satisfied by promissory note.

The consideration for the Acquisition has been determined after arm's length negotiation between the Company and the Vendor with reference to, among other things,

(i) the price-to-earnings ratio of 3.5 times, which is within the range of the price-to-earnings ratio of companies in the PRC whose principal activity is the production of CCTV products and system for security and surveillance purposes, which is similar to that of the PRC Company;

(ii) the 2012 Profit Guarantee (the audited net profit after taxation but before extraordinary items of the PRC Company, prepared in accordance with the Hong Kong GAAP, for the year ending 31 December 2012 shall not be less than HK$90 million); and

(iii) the prospect of the security and protection industry in which the PRC Company carries on its business.

The Directors consider the consideration for the Acquisition is fair and reasonable and on normal commercial terms and that the entering into the Acquisition Agreement is in the interests of the Company and the shareholders as a whole. The process of the Acquisition has not been completed at the date of this announcement as not all the conditions precedent have been fulfilled.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associated companies by the Group during the year.

Employee Information

As at 31 December 2011, the Group employed a total of 201 employees (2010: 185). 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 the staff provident fund scheme and the discretionary bonus scheme.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement. During the year, the employment cost (including Directors' emoluments) amounted to approximately HK$14,430,000 (2010: HK$5,866,000).

Share Option Scheme

The Company adopted a share option scheme as an incentive to selected participants. During the year, 37,000,000 share options have been granted and outstanding under the Scheme. No option has been exercised, cancelled or lapsed during the year.

Charge on Group Assets

As at 31 December 2011, the Group did not have any charges on its assets.

Future Plans for Material Investments and Expected Sources of Funding

The Group had no future plans for material investments subject to disclosure as at 31 December 2011.

The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests. The management, if considered beneficial to the future of the Group, may make new investments. In view of the market situation, the management may consider raising capital for funding new investments while reserving internal financial resources to support its core business.

Exposure to Fluctuations in Exchange Rates

Most assets, liabilities and transactions of the Group are denominated in RMB and HK$. The Group does not expect any appreciation or depreciation of the Renminbi Yuan against foreign currency which might materially affects the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the year and will continue to closely monitor such risk exposures from time to time.

Capital Commitments

The Group did not have any capital commitments that were contracted for as at 31 December 2011.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2011.

DIVIDENDS

The directors recommended the payment of a final dividend of HK3 cents per ordinary share, totaling approximately HK$80,426,000 in respect of the year to shareholders on the register of members on 28 May 2012. The proposed final dividend for the year ended 31 December 2011 has been approved at the Company's board meeting on 13 March 2012, but is subject to the approval of the shareholders at the forthcoming annual general meeting. This recommendation has been incorporated in the financial statements as an allocation of share premium within the equity section of the statement of financial position.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of Company will be closed from 16 May 2012 to 18 May 2012, 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 18 May 2012, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited of Level 28, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 15 May 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 December 2011, the Company acquired an aggregate of 46,280,000 of its own shares through purchases on the Stock Exchange at an aggregate consideration of HK$60,855,920 with a view to benefit its shareholders as a whole in enhancing the net assets and earnings per share of the Company. Details of the repurchases are as follows:

Month of repurchase	**Number of shares repurchased**	**Purchase price per share**		**Aggregate consideration**
		Highest	**Lowest**	
		(HK$)	*(HK$)*	*(HK$)*
July 2011	5,940,000	1.83	1.67	10,283,280
September 2011	32,508,000	1.42	1.13	41,635,000
October 2011	7,832,000	1.18	1.10	8,937,640
	46,280,000			60,855,920
Total expenses on shares repurchased				176,109
				61,032,029

All the 46,280,000 shares repurchased were cancelled on delivery of the share certificates during the year ended 31 December 2011. The issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2011.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code, save for the deviations from code provisions A.2.1 and A.4.1 which are explained below.

According to the code provision A2.1 of the CG Code, the roles of the chairman and the chief executive officer should be segregated. However, during the period from 1 January 2011 to 2 June 2011, the Company has no chief executive officer and Mr. Zhong Houtai is the chairman and executive Director of the Company responsible for the Group's operations in the PRC. The responsibility of that of a chief executive officer is taken up by the chairman of the Company. In order to better develop the ISD business, Mr. Liu Zhongkui has been appointed as an executive Director and as a chief executive officer of the Company on 3 June 2011.

According to the code provision A4.1 of the CG Code, independent non-executive directors should be appointed for a specific term of service. However, independent non-executive Directors of the Company (except for Mr. Xie Baitang who were appointed for a term of two years) are not appointed for a specific term as required under the CG Code, but they are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once for every three years according to the articles of association of the Company. Such practice meets the same objective and is no less exacting than those prescribed under the code provision A4.1 of the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. During the accounting period covered by this annual report, the Company had complied with the Model Code. After making inquiry of the Directors, the Company confirmed that the Directors had complied with the provisions of the Model Code.

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 2011.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been compared by the Group's auditor, BDO Limited, Certified Public Accountants, to the amounts set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by BDO 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 auditor on this Announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the current year was published on the website of the Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.anxin-china.com.hk). The annual report for the year ended 31 December 2011 of the Company containing all the information required by the Listing Rules will be published on above websites and despatch to the shareholders of the Company in due course.

By Order of the Board
Anxin-China Holdings Limited
Liu Zhongkui
Chairman and Chief Executive Officer

Hong Kong, 15 March 2012

Website: www.anxin-china.com.hk

As at the date of this announcement, the executive directors of the Company are Mr. Liu Zhongkui, Mr. Lin Supeng and Mr. Yang Ma and the independent non-executive directors of the Company are Mr. Cheung Chuen, Mr. Pei Renjiu, Mr. Xie Baitang and Mr. Chen Feng.