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 2010

The Board of Directors (the "Board") of Anxin-China Holdings Limited ("the Company") hereby announces the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2010, together with comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000 (Restated)
Continuing operations			
Revenue	5	**304,970**	43,490
Cost of sales	6	**(46,232)**	(7,507)
Gross profit		**258,738**	35,983
Investment and other income	8	**38,934**	3,870
Other gains and losses	9	**(628)**	–
Selling and marketing expenses		**(20,146)**	(834)
Administrative expenses		**(30,308)**	(7,889)
Research and development expenses		**(13,934)**	(1,280)
Finance costs	10	**(49,667)**	(15,824)
Profit before tax		**182,989**	14,026
Income tax expense	11	**(12,458)**	(3,931)
Profit for the year from continuing operations	12	**170,531**	10,095

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Discontinued operations	*13*		
Profit (loss) for the year from discontinued operations		**74,378**	(580,240)
Profit (loss) for the year		**244,909**	(570,145)
Other comprehensive income (expense)			
Exchange differences arising on translation		**(63,013)**	(2,018)
Total comprehensive income (expense) for the year attributable to owners of the Company		**181,896**	(572,163)
Profit (loss) for the year attributable to owners of the Company:			
– Profit for the year from continuing operations		**170,531**	10,095
– Profit (loss) for the year from discontinued operations		**74,378**	(580,240)
Profit (loss) for the year attributable to owners of the Company		**244,909**	(570,145)
EARNINGS (LOSSES) PER SHARE	*15*		
From continuing and discontinued operations			
Basic *(HK cents)*		**16.44**	(107.44)
Diluted *(HK cents)*		**11.66**	(107.44)
From continuing operations			
Basic *(HK cents)*		**11.45**	1.90
Diluted *(HK cents)*		**8.70**	1.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000 (Restated)
Non-current Assets			
Property, plant and equipment		**18,300**	124,539
Prepaid lease payments		**–**	2,184
Prepayment for acquisition of non-current assets		**96,530**	17,100
Goodwill	*16*	**1,040,427**	1,040,427
Other intangible assets	*17*	**115,332**	165,965
		1,270,589	1,350,215
Current Assets			
Inventories		**1,925**	8,371
Trade and other receivables	*18*	**89,717**	177,998
Tax recoverable		**–**	1,660
Cash and bank balances		**400,322**	92,329
		491,964	280,358
Current Liabilities			
Trade and other payables	*19*	**26,344**	152,109
Borrowings	*20*	**20,483**	31,008
Tax liabilities		**9,111**	11,200
		55,938	194,317
Net Current Assets		**436,026**	86,041
Total Assets less Current Liabilities		**1,706,615**	1,436,256
Capital and Reserves			
Share capital	*23*	**207,975**	100,430
Share premium and reserves		**1,297,521**	742,121
Equity attributable to owners of the Company		**1,505,496**	842,551
Non-current Liabilities			
Borrowings	*20*	**–**	14,592
Convertible notes	*21*	**183,430**	564,354
Deferred tax liabilities	*22*	**17,689**	14,759
		201,119	593,705
		1,706,615	1,436,256

Notes:

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands on 16 April 2003 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 PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Unit 1903, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong respectively.

With effect from 3 August 2010, the name of the Company has been changed from "Broad Intelligence International Pharmaceutical Holdings Limited" to "Anxin-China Holdings Limited".

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

The principal activities of the Group are sale of system hardware and application software for installation of Intelligent Surveillance, Disaster Alert & Rescue Coordination ("ISD") System and provision of system solution services and investment holding.

During the year, the Company has disposed its interests in Long Master International Limited ("Long Master") and Fujian Nanshaolin Pharmaceutical Co., Ltd. ("Fujian Nanshaolin"), which carried out all the Group's Pharmaceutical manufacturing operations. The disposal constitutes discontinued operation and has resulted in a gain of HK$74,378,000 *(see note 13)*.

2. RESTATEMENT OF PRIOR PERIOD FIGURES

During the year, the directors finalised the measurement of the fair value of the individual components of the Company's convertible notes (comprising the Company's redemption option, the holders' conversion option and the underlying loan portion) issued in October 2009 for the acquisition of the entire share capital of Eagle Mascot Limited.

The convertible notes were measured at amortised cost but was inappropriately described as designated as at fair value through profit or loss in prior year. The imputed interest in convertible notes was also inappropriately described as fair value change.

The finalisation of the measurements of the fair value have resulted in change in fair value of the loan component of the convertible notes, change in the amount of the related imputed interest and the recognition of the equity component of the convertible notes. The amount of share premium has also been restated upon conversion of the convertible notes.

As the convertible notes were issued as part of the consideration for acquisition of Eagle Mascot Limited, the change in fair value of the convertible notes has impact on amount of goodwill arising on the acquisition as well.

Summary of the effects of prior period restatements:

The effects of prior period restatements on the financial positions of the Group as at 31 December 2009 are as follows:

	31 December 2009 (originally stated)	Restatements	31 December 2009 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Goodwill	660,225	380,202	1,040,427
Convertible notes (loan component)	(679,856)	115,502	(564,354)
Total effects on net assets	(19,631)	495,704	476,073
Equity			
Convertible notes (equity component)	–	422,116	422,116
Share premium	297,109	66,943	364,052
Retained profits	(200,792)	6,645	(194,147)
Total effects on equity	96,317	495,704	592,021

The consolidated statement of financial position as at 1 January 2009 has not been presented as the above restatements have no impact on that consolidated statement of financial position.

The effects of the prior period restatements on the results for the prior year by line items are as follows:

	2009 (originally stated)	Restatements	2009 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Finance costs	–	(15,279)	(15,279)
Fair value change of convertible notes	(21,924)	21,924	–
Total effects on profit (loss) for the year	(21,924)	6,645	(15,279)

Impact on basic and diluted earnings per share

The effects of the above changes on the Group's basic and diluted earnings (losses) per share for the prior year are as follows:

	Impact on basic earnings (losses) per share *HK cents*	Impact on diluted earnings (losses) per share *HK cents*
Figures before restatements	(108.70)	(108.70)
Adjustments arising from prior year restatements	1.26	1.26
Figures after restatements	(107.44)	(107.44)

Details of Convertible notes are set out in note 21.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (As part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

New and revised Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3(as revised in 2008), HKAS 1 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*

[2] *Effective for annual periods beginning on or after 1 July 2010.*

[3] *Effective for annual periods beginning on or after 1 July 2011.*

[4] *Effective for annual periods beginning on or after 1 January 2013.*

[5] *Effective for annual periods beginning on or after 1 February 2012.*

[6] *Effective for annual periods beginning on or after 1 January 2011.*

[7] *Effective for annual periods beginning on or after 1 February 2010.*

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because certain counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

4. CRITICAL ACCOUNTING JUDGEMENT

Functional currency of the Company

In respect of the functional currency of the Company, the directors consider and believe that the functional currency of the Company is and has always been HK$ despite the fact that the following has been disclosed in the 2009 annual report:

"In prior years, the directors regarded HK$ as the functional currency of the Company. During the year ended 31 December 2009, the directors reassessed the Company's functional currency after the acquisition of subsidiaries in October 2009 in which their main operations are located in the PRC. It is expected that currency of the primary economic environment in which the subsidiaries of the Company operates will substantially denominated in Renminbi ("RMB"). Accordingly, the directors determined that the functional currency of the Company should be changed from HK$ to RMB starting from the date of acquisition of subsidiaries. The change of functional currency is applied prospectively from the date of change in accordance with HKAS21 "The Effect of Changes in Foreign Exchange Rates".

The directors consider that the functional currency of the Company is and has always been HK$ as all the transactions of the Company throughout the year including those for the years ended 31 December 2009 and 2010 were denominated in HK$ and recorded in the books and records of the Company using HK$ instead of RMB; and that the Company is an investment holding company in Hong Kong with its investing and financing activities carried out under the economic environment in Hong Kong. The change in the functional currency described in its 2009 annual report was not applied in the preparation of the 2009 financial statements.

5. REVENUE

Revenue represents revenue arising on sale of application software and system hardware and system solution service income for the year. An analysis of the Group's revenue for the year from continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sales of application software and system hardware	**267,940**	41,189
Provision of system solution services	**37,030**	2,301
	304,970	43,490

6. COST OF SALES

An analysis of the Group's cost of sales for the year from continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Cost of application software and system hardware sold	**10,748**	698
Amortisation of intangible assets	**35,484**	6,809
	46,232	7,507

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

With the disposal of the Group's Pharmaceutical business on manufacture, sale, research and development of pharmaceutical products on 6 August 2010 (details of the disposal of "Pharmaceutical business" are set out in note 13 and note 24), the Group focuses only on the"Intelligent Surveillance Disaster Alert & Rescue Coordination ("ISD") Systems" operations (which is made up by the sale of system hardware and application software for installation of ISD Systems and provision of system solutions services). The results of the discontinued operations are disclosed as a separate line on the face of consolidated statement of comprehensive income, while prior period comparative figures have been restated to present Pharmaceutical business as discontinued operations. 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 current year ended 31 December 2010.

Geographical information

As 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 in 2010, the Group's consolidated assets are substantially located inside the PRC, no geographical information is presented in 2010.

Information about major customers

Included in revenues arising from sales of application software and system hardware of HK$267.94 million (2009: HK$41.19 million) are revenues of approximately HK$79.73 million (2009: Nil) which arose from sales to the Group's largest customer. Revenue from this largest customer of the Group contributed over 10% to the Group's revenue for 2010.

8. INVESTMENT AND OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Government grants received for PRC VAT tax concession *(Note)*	**38,028**	3,831
Interest income on bank deposits	**633**	37
Sundry income	**273**	2
	38,934	3,870

Note: Government grants represent the benefits from reduction of VAT tax rates on the sales of software according to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries" (No. 70 [2002] Cai-Shui).

9. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Net foreign exchange loss	**(628)**	–
	(628)	–

10. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Effective interest expense on convertible notes	**47,742**	15,279
Interest on bank loans wholly repayable within 5 years	**1,925**	545
Total borrowing costs	**49,667**	15,824

11. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	**9,528**	4,602
	9,528	4,602
Deferred tax:		
Current year *(note 22)*	**2,930**	(671)
	2,930	(671)
	12,458	3,931

The Company and those subsidiaries established in the Cayman Islands and British Virgin Islands are exempted from payment of income tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2009: Nil).

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% from 1 January 2008 onwards.

According to the Implementation Guidance, there will be a transitional period of five years for the Company's PRC subsidiaries located in Shenzhen Special Economic Zone whereby the applicable income tax 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 "Shen Di Shui She Han [2007] No. 132" dated 12 December 2007 issued by the District Tax Bureau of Shekou District, Shenzhen, the Company's subsidiary Shenzhen An-xin Digital Development Co., Ltd. ("An-xin") is qualified as a production enterprise and entitles to EIT exemption for the years 2005 and 2006 and a 50% reduction in EIT for the years from 2007 to 2009. The application of the EIT Law has not altered the entitlement of An-xin. The income tax rate of 10% and 22% are applied for the year ended 31 December 2009 and the year ended 31 December 2010 respectively.

Pursuant to an approval document dated 25 June 2010 issued by the Tax Bureau of Hongze, Jiangsu Province, the Company's subsidiary, Jiangsu Hong-xin Intelligence Technology Co., Ltd. ("Hong-xin") is qualified as a high-tech enterprise and entitles to EIT exemption for the years 2010 and 2011 and a 50% reduction in EIT for the years from 2012 to 2014.

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit before tax (from continuing operations)	**182,989**	14,026
Tax at PRC Enterprise Income Tax rate of 22% (2009: 10%) *(Note)*	**40,257**	1,403
Tax effect of expenses not deductible for tax purpose	**22,794**	2,226
Tax effect of income not taxable for tax purpose	**(1,790)**	(954)
Effect of tax exemption and different tax rates of group entities	**(48,803)**	1,256
Tax charge and effective tax rate for the year (relating to continuing operations)	**12,458**	3,931

Note: The tax rate represents the applicable tax rate of the Company's major subsidiary, An-xin.

12. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations has been arrived at after charging (crediting):

	2010	2009
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**2,752**	74
Amortisation of intangible assets (included in cost of sales)	**35,484**	6,809
Total depreciation and amortisation	**38,236**	6,883
Auditor's remuneration	**2,600**	920
Research and development costs recognised as an expense	**13,934**	1,280
Net foreign exchange losses	**628**	–
Employee benefits expense (including directors' emoluments):		
Post employment benefits		
– Defined contribution plans	**119**	47
Other employee benefits	**5,747**	5,008
Total employee benefits expense	**5,866**	5,055
Cost of inventories recognised as an expense	**10,748**	698

13. DISCONTINUED OPERATIONS

Disposal of pharmaceutical manufacturing operations

On 14 May 2010, the Company entered into a sale agreement to disposal of Long Master and Fujian Nanshaolin, which carried out all of the Group's pharmaceutical manufacturing operations. The disposal of the pharmaceutical manufacturing operations is consistent with the Group's long-term policy to focus its activities in the ISD System market. The disposal was completed on 6 August 2010, on which date control of the pharmaceutical manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of and the calculation of the profit or loss on disposal, are disclosed in note 24.

The profit(loss) for the year from the discontinued operation is analysed as follows:

	01.01.2010 to 06.08.2010	Year ended 31.12.2009
	HK$'000	HK$'000
Loss of pharmaceutical operation for the year	**(8,752)**	(580,240)
Gain on disposal of pharmaceutical operation *(see note 24)*	**83,130**	–
	74,378	(580,240)

The results of the pharmaceutical operation for the period from 1 January 2010 to 6 August 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	01.01.2010 to 06.08.2010	Year ended 31.12.2009
	HK$'000	*HK$'000*
Revenue	**31,837**	83,433
Cost of sales	**(28,337)**	(64,687)
	3,500	18,746
Investment and other income	**–**	5
Other gains (losses)	**238**	(504,351)
Selling and marketing expenses	**(1,221)**	(25,537)
Administration expenses	**(10,285)**	(67,045)
Finance costs	**(984)**	(2,058)
Loss for the period/year	**(8,752)**	(580,240)

Profit (loss) for the year from discontinued operations include the following:

Depreciation of property, plant and equipment	**12,435**	48,017
Amortisation of intangible assets	**6,493**	16,189
Amortisation of prepaid lease payments	**65**	110
Impairment of property, plant and equipment	**–**	412,515
Impairment of intangible assets	**–**	60,022
Inventory write off and write down	**–**	31,814
Employee benefit expenses	**1,833**	1,694

The carrying amounts of the assets and liabilities of Long Master and Fujian Nanshaolin at the date of disposal are disclosed in note 24.

14. DIVIDENDS

No dividends was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: HK$nil).

15. EARNINGS (LOSSES) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings (losses) per share attributable to owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note)
Earnings (losses)		
Earnings (losses) for the purpose of basic earnings (losses) per share (profit (loss) for the year attributable to owners of the Company)	**244,909**	(570,145)
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes (net of tax)	**47,742**	–
Earnings (losses) for the purposes of dilutive earnings (losses) per share	**292,651**	(570,145)

	2010	2009
	'000	*'000*
		(Note)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (losses) per share	**1,489,569**	530,642
Effect of dilutive potential ordinary shares:		
Convertible notes	**1,013,799**	–
Warrants	**6,681**	–
Weighted average number of shares for the purpose of calculating diluted earnings (losses) per share	**2,510,049**	530,642

Note: The computation of diluted loss per share for the year ended 31 December 2009 does not assume the conversion of the Company's outstanding convertible notes since their assumed exercise would result in a decrease in loss per share.

From continuing operations

The calculation of the basic and diluted earnings (losses) per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings (losses) figures are calculated as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note)
Profit (loss) for the year attributable to owners of the Company	**244,909**	(570,145)
Less: Profit (loss) for the year from discontinued operations	**74,378**	(580,240)
Earnings for the purposes of basic earnings (losses) per share from continuing operations	**170,531**	10,095
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes (net of tax)	**47,742**	–
Earnings for the purposes of dilutive earnings per share from continuing operations	**218,273**	10,095

Note: The computation of diluted earnings per share from continuing operations for the year ended 31 December 2009 does not assume the conversion of the Company's outstanding convertible notes since their assumed exercise would result in an increase in earning per share.

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

From discontinued operations

Basic earnings (losses) per share for the discontinued operations is HK4.99 cents per share (2009: loss of HK109.34 cents per share) and diluted earnings (losses) per share for the discontinued operations is HK2.96 cents per share (2009: loss of HK109.34 cents per share), based on the profit (loss) for the year from the discontinued operations of HK$74.38 millions (2009: loss of HK$580.24 million) and the denominators detailed above for both basic and diluted earnings (losses) per share.

16. GOODWILL

	HK$'000
Balance at 1 January 2009	–
Arising on acquisition of a subsidiary	660,225
Balance at 31 December 2009 (as originally stated)	660,225
Restatement *(see note 2)*	380,202
Balance at 31 December 2009 (as restated) and at 31 December 2010	1,040,427

As described in notes 2 and 21, the initial recognition amount of convertible notes has been changed from HK$799,648,000 to HK$1,179,850,000. With the consideration for acquisition of the entire share capital of Eagle Mascot Group increased by HK$380,202,000, the carrying amount of goodwill has been increased from HK$660,225,000 as previously stated to HK$1,040,427,000.

For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit (CGU), that comprises three subsidiaries in the ISD System business segment.

During the year ended 31 December 2010, management of the Group determines that there is no impairment of the above CGU containing goodwill.

The recoverable amount of the above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on the financial budget budgets approved by management covering a two-year period, and discount rate of 17.17% (2009: 16.17%). The cash flows beyond the two-year are extrapolated using a 3% (2009: 3%) growth rate for eight years. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its aggregate recoverable amount.

17. OTHER INTANGIBLE ASSETS

Other intangible assets is arising from the acquisition of subsidiaries included technology, customer base and unfinished contracts totalling HK$157,437,000. The carrying amount as at 31 December 2010 is HK$115,332,000 (31 December 2009: HK$165,965,000).

18. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**66,100**	104,374
Less: allowance for doubtful debts	**–**	–
	66,100	104,374
Other receivables	**11,673**	10,838
Due from related companies	**10**	25,835
Prepayments and deposits	**11,934**	36,951
	89,717	177,998

The Group allows an average credit period of 180 days and 90 days to its trade customers on application software & system hardware and solution service income respectively, 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 doubtful debts presented based on the invoice date at the end of reporting period.

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**9,496**	42,666
31 – 60 days	**15,381**	6,039
60 – 90 days	**14,843**	36,699
91 – 180 days	**20,261**	2,111
181 – 365 days	**2,505**	16,302
Over 1 year	**3,614**	557
	66,100	104,374

Of the trade receivables balance at the end of the year, HK$23.75 millions (31 December 2009: HK$30.05 millions) is due from the Group's largest customer. There are another five customers (31 December 2009: four 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.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts 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.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
Overdue within 1-30 days	**1,370**	–

19. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**796**	1,396
Other payables	**5,328**	27,869
Construction payables	**–**	62,850
Other PRC tax payables	**18,567**	7,292
Amount due to shareholder	**–**	500
Amount due to related parties	**1,413**	9,521
Advance from customers	**239**	150
Dividend payable	**1**	42,531
	26,344	152,109

The amount due to shareholder was repayable on demand and non-interest bearing.

The opening balance of dividend payable mainly represents dividend declared by An-xin to its shareholders before acquisition by the Group, which has been paid out in current year.

The average credit period on purchase of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**160**	454
31– 60 days	**–**	–
61 – 90 days	**12**	400
91 – 180 days	**122**	40
181 – 365 days	**–**	436
Over 365 days	**502**	66
	796	1,396

20. BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Secured bank loans	**20,483**	45,600
Carrying amount repayable:		
On demand or within one year	**20,483**	31,008
More than one year, but not exceeding two years	**–**	14,592
	20,483	45,600
Less: Amounts due within one year shown under current liabilities	**(20,483)**	(31,008)
	–	14,592

The balance at 31 December 2009 included two loans, of which, one with principal amount of RMB20,000,000 (equivalent to approximately HK$22,800,000) was secured by a property of a related company, in which two directors of An-xin has controlling interest. This bank loan was a variable rate loan bearing effective interest at 5.31% (31 December 2009: 5.31%) per annum, and was paid during current year.

Another loan with principal amount of RMB20,000,000 (equivalent to approximately HK$22,800,000) was secured by a corporate guarantee to the extent of HK$22,800,000 executed by an independent guarantee company. The corporate guarantee was secured by a deposit of RMB500,000 (equivalent to approximately HK$588,600 paid to that independent guarantee company and was included in other receivables), a property of the Group with carrying amount of HK$1.87 million as well as a property of a related company, in which two directors of An-xin have controlling interests. This bank loan is a variable rate loan bearing effective interest at 6.16% (31 December 2009: 6.81%). During current year, amount of RMB2,600,000 (equivalent to approximately HK$ 2,984,000) was repaid pursuant to the terms of the loan contract.

21. CONVERTIBLE NOTES

On 22 October 2009, the Company issued zero coupon convertible notes ("the Convertible notes") in an aggregate principal amount of HK$1,179,850,000 as consideration for the acquisition of Eagle Mascot Group. There were two tranches within the Convertible notes, HK$889,850,000 in principal amount of Tranche 1 Convertible notes and HK$290,000,000 in principal amount of Tranche 2 Convertible notes.

The principal terms of the Convertible notes are as follows:

a) Optional conversion

Tranche 1 Convertible notes may be converted at the option of the holders at any time, while principal amounts of HK$189,000,000 and HK$81,000,000 of Tranche 2 Convertible notes may be converted at the option of the holders at any time from 12 months and 24 months subsequent to the issue date of the Convertible notes respectively up to the maturity date of the Convertible notes which is 22 October 2014. Subject to adjustments upon the occurrence of various events including share consolidation, share sub-division, capitalisation issue, capital distribution, right issue and issue of convertible securities by the Company, the initial conversion price for the Convertible notes is HK$0.65 per conversion share.

b) *Conversion restrictions*

The conversion rights under the Convertible notes shall only be exercisable so long as (i) the aggregate shareholdings of such holder of the Convertible notes, its associates and parties acting in concert with it immediately after such exercise will not be or exceed 25% of the then issued share capital of the Company; (ii) the exercise of the conversion rights under the Convertible notes will not result in such holder of the Convertible notes by itself or taken together with its associates and/or parties acting in concert with it becoming the controlling shareholder of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which such holder of the Convertible notes would be obliged to make a general offer in force from time to time; (iii) the exercise of the conversion rights under the Convertible notes would not result in such holder of the Convertible notes and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other by virtue of their then respective shareholding in the Company; and (iv) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares can be maintained.

c) *Redemption option of the Company*

The Company shall have the right to redeem any portion of the Convertible notes outstanding at an amount equals to the principal amount of the Convertible notes in its sole and absolute discretion at any time and from time to time prior to its maturity.

The Convertible notes previously issued were measured on the basis that the conversion option of the holders of the Convertible notes, and the redemption option of the Company carried equal rights, and the fair values of which offset each other. Accordingly, at initial recognition, the fair values of the Convertible notes were only attributable to the fair value of straight loan portion which was derived based on the coupon and principal payment of the Convertible notes, discounted by appropriate bond yield from comparable bonds with similar credit rating and duration. Based on the above assumption, the initial recognition amount of Convertible notes was HK$799,648,000 in 2009 and was measured at amortised cost but was inappropriately described as designated as at fair value through profit or loss in prior year.

During the year, the directors have finalised the measurement of the individual components of the Convertible notes. The conversion price for the Convertible notes denominated in HK$ would always result in settlement of the conversion option by the exchange of a fixed number of the Company's own equity instruments, hence, the equity component represents the conversion option of the holders to convert into the ordinary shares of the Company and the liability component represents the obligation to pay cash, which have been recorded at HK$511,568,893 and HK$668,281,107 respectively as at the date of issue.

The liability component of the Convertible notes is carried at amortised cost using discount rate of 12%.

The equity component, representing the option to convert into ordinary shares of the Company, will remain in Convertible notes reserve until the embedded option is exercised (in which case the balance stated in Convertible notes reserve will be transferred to share premium). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

In 2009, the Convertible notes in an aggregate principal amount of HK$206,309,600 were converted into the Company's shares at a conversion price of HK$0.65 per share. As a result of the conversion, 317,399,383 new shares were issued.

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, 1,065,446,769 new shares were issued.

The carrying amount movement of the liability component of the convertible notes for the year is set out below:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Carrying amount at the beginning of the year	**564,354**	–
Issued during the period	**–**	668,281
Conversion to share capital	**(106,545)**	(31,740)
Conversion to share premium	**(322,121)**	(87,466)
Interest charge	**47,742**	15,279
Carrying amount at the end of the year	**183,430**	564,354

The principal amount movement of the convertible notes for the year is set out below:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Principal amount at the beginning of the year	**973,540**	–
Issued during the period	**–**	1,179,850
Conversion to share capital	**(106,545)**	(31,740)
Conversion to share premium	**(585,995)**	(174,570)
Principal amount at the end of the year	**281,000**	973,540

22. DEFERRED TAX LIABILITIES

	Intangible assets
	HK$'000
At 1 January 2009	–
Arising from acquisition of subsidiaries	15,430
Credit to profit or loss	(671)
At 31 December 2009	14,759
Charge to profit or loss	2,930
At 31 December 2010	17,689

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$302,459,000 (2009: HK$37,500,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

23. SHARE CAPITAL

The Company

	Number of shares		Amount	
	2010	2009	**2010**	2009
	’000	*’000*	***HK$’000***	*HK$’000*
Authorised:				
At 1 January and 31 December, ordinary share of HK$0.1 each	**4,000,000**	4,000,000	**400,000**	400,000
Issued and fully paid:				
As at 1 January	**1,004,299**	463,899	**100,430**	46,390
Issue of shares on conversion of convertible notes *(Note a)*	**1,065,447**	317,400	**106,545**	31,740
Issue of shares on conversion of warrants *(Note b)*	**10,000**	92,000	**1,000**	9,200
Issue of shares on acquisition of Eagle Mascot Limited *(Note c)*	**–**	131,000	**–**	13,100
As at 31 December	**2,079,746**	1,004,299	**207,975**	100,430

Notes:

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 loan 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 29 October 2009, 23 December 2009, 28 December 2009, 29 December 2009, 30 December 2009 and 31 December 2009, the Convertible notes in an aggregate principal amount of HK$20,000,000, HK$65,000,000, HK$10,467,600, HK$10,842,000, HK$35,500,000 and HK$64,500,000 respectively were converted into the Company’s shares at a conversion price of HK$0.65 per share. As a result of the conversion, 317,399,383 new shares were issued.

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 year, 10,000,000 warrants were exercised at a subscription price of HK$1.22 per share, resulting in the issue of 10,000,000 ordinary shares of HK$0.1 each on 10 December 2010.

On 21 April 2009, 92,000,000 warrants were issued at the price of HK$0.02 per warrant and all warrants were exercised at a subscription price of HK$0.415 per share, resulting in the issue of 92,000,000 ordinary shares of HK$0.1 each in the Company. The net proceed from issue of warrants amounted to HK$1,559,000.

c) During 2009, 131,000,000 ordinary shares of par value HK$0.1 each were issued at a fair value of HK$0.7 per share as part of the consideration for the acquisition of Eagle Mascot Limited. The fair value of the ordinary shares of the Company, determined using the published price at the date of the acquisition, amounted to HK$91,700,000, of which HK$13,100,000 was credited to share capital and the remaining balance of HK$78,600,000 was credited to the share premium account.

24. DISPOSAL OF SUBSIDIARIES

On 6 August 2010, the Group disposed of Long Master and its subsidiary, Fujian Nanshaolin which carried out all of its pharmaceutical operations.

Consideration received

	2010	2009
	HK$'000	*HK$'000*
Consideration received in cash and cash equivalents	**79,000**	–

Analysis of assets and liabilities over which control was lost

	06.08.2010
	HK$'000
Current assets	
Cash and cash equivalents	480
Trade receivables	5
Inventories	1,029
Non-current assets	
Property, plant and equipment	95,382
Intangible assets	8,898
Prepaid lease payments	2,130
Current liabilities	
Payables	(35,928)
	71,996

Gain on disposal of subsidiaries

	HK$'000
Consideration received	**79,000**
Net assets disposed of	**(71,996)**
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiary	**76,126**
Gain on disposal	**83,130**

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income *(see note 13)*.

Net cash inflow on disposal of subsidiaries

	HK$'000
Cash consideration received	**79,000**
Less: cash and cash equivalent balances disposed of	**(480)**
	78,520

25. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure borrowings of the Group *(see note 20)*:

	2010	2009
	HK$'000	*HK$'000*
Leasehold land and buildings	**1,671**	1,933
Guarantee deposit included in other receivable	**589**	570
	2,260	2,503

26. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2010	2009
	HK$'000	*HK$'000*
Authorised and contracted for		
– the acquisition of intangible assets	**–**	5,700
– leasehold improvements	**–**	5,671
	–	11,371

27. EVENTS AFTER THE REPORTING PERIOD

i) 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 have agreed, on a best efforts 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 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 are 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 has 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 has been allotted and issued to the Vendor by the Company at the Subscription Price. The net proceed from subscription was HK$310.60 million.

ii) On 21 January 2011, 28 January 2011 and 10 February 2011, three tranches of 10,000,000 warrants were exercised respectively at a subscription price of HK$1.22 per share, resulting in the issue of share certificate of 30,000,000 ordinary shares of HK$0.1 each. The net proceeds from exercise of warrants were HK$36.60 million.

iii) On 21 February 2011, the resolution in respect of the discloseable and connected transaction in relation to acquisition of property has been passed by way of poll at the Extraordinary General Meeting.

CHAIRMAN'S STATEMENT

I am pleased to present to our shareholders the annual results of Anxin-China Holdings Limited (the "Company" or "Anxin-China") and its subsidiaries (the "Group") for the year ended 31 December 2010.

2010 is a year of continuing past efforts and extending into the prosperous future for the Group. Facing the challenging business environment and intense competition of domestic pharmaceutical market, the Group adjusted its development strategy by disposing of its pharmaceutical business during 2010 and began to focus on the development of the Intelligent Surveillance, Disaster Alert & Rescue Coordination ("ISD") System business, endeavoured to become a new high-tech enterprise committed to industrial safety. To better reflect the Group's business, the Group changed its name to "Anxin-China Holdings Limited" during the year.

During the year, the Group achieved encouraging results. For the twelve months ended 31 December 2010, the Group's ISD system business recorded a total revenue of HK$304,970,000, representing a significant 6-fold year-on-year growth. Profit attributable to shareholders surged to HK$244,909,000 year-on-year, representing a turnaround as compared to a loss of HK$570,145,000 in 2009. In order to retain sufficient funds for future business development, the Board did not recommend the distribution of final dividends for the year ended 31 December 2010.

As China gradually becomes one of the most influential economies in the world, many industries were at the stage of on-going expansion and rapid development. Production safety issues has drawn more attention from the government and the society than in the past. Safety in production and emergency rescue issues became the focus of attention. Anxin-China had seized this opportunity to target itself on the enormous but yet-to-be developed intelligent security alert system business market in China, developed the ISD business based on the advanced Internet-of-Things technology, and embrace the vast business opportunities brought by the prominent growth of ISD market.

Looking forward, as a leading enterprise in the industry and facing the enormous demand in the ISD system market in China, Anxin-China will continue to leverage on its competitive advantages further to achieve its mission of "Anxin-China, Your Safety is Our Business", create success for the coming year with a solid business foundation, and bring better returns to shareholders.

On behalf of the Board, I would like to acknowledge the determined efforts and significant contributions made by the management and staff, and would like to extend my heartfelt gratitude to our shareholders and investors for their support and trust.

DIVIDENDS

For the purpose of retaining sufficient fund for future business development, the Board does not recommend the payment of dividend for the year (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the twelve months ended 31 December 2010, the consolidated turnover of the Group amounted to approximately HK$304,970,000 (2009: HK$43,490,000), representing an increase of approximately 6 folds over the corresponding period last year. Gross profit margin was approximately 85% (2009: 83%). Profit for the year was approximately HK$244,909,000 (2009: loss of HK$570,145,000), making a turnaround as compared with 2009. Basic earnings per share was HK16.44 cents (2009: loss of HK107.44 cents) and diluted earnings per share was HK11.66 cents (2009: loss of HK107.44 cents). Basic earnings per share after elimination of discontinued operations was HK11.45 cents (2009: HK1.90 cents).

Turnover from the ISD business and pharmaceutical business amounted to approximately HK$304,970,000 and HK$31,837,000 respectively in 2010 (2009: HK$43,490,000 and HK$83,433,000 respectively). Gross profit margin of ISD business was 85% in 2010 (2009: 83%). The pharmaceutical business was disposed of on 6 August 2010 and contributed a profit after tax of HK$74,378,000 to the Group.

In respect of assets, liabilities and cash flow, for the year ended 31 December 2010, total assets of the Group amounted to HK$1,762,553,000 (2009: HK$1,630,573,000), representing an increase of 8% as compared with 2009. Net cash inflow/(outflow) from operating activities, investing activities and financing activities amounted to HK$314,038,000, HK$(25,103,000) and HK$11,688,000 respectively (2009: HK$21,184,000, HK$27,600,000 and HK$39,739,000 respectively). During the year, capital expenditure amounted to HK$99,870,000 (2009: HK$1,902,000), depreciation and amortization of tangible and intangible assets amounted to HK$57,229,000 (2009: HK$71,199,000). As at 31 December 2010, the Group’s total cash and bank loans amounted to HK$400,322,000 (2009: HK$92,329,000) and HK$20,483,000 (2009: HK$45,600,000) respectively. The Group had a net cash position of HK$196,409,000 as at 31 December 2010 while the gearing ratio (net debt/equity) as at 31 December 2009 was 61%.

As at 31 December 2010, the Group did not have any significant contingent liabilities (2009: nil). Details of business segments and charge on the Group's assets are set out in Notes 7 and 25 to the consolidated financial statements respectively.

Changes in the Organisation of the Group

In August 2010, the Group disposed of all the pharmaceutical manufacturing operations (including Long Master International Limited ("Long Master") and Fujian Nanshaolin Pharmaceutical Co., Ltd. ("Fujian Nanshaolin")) at a consideration of HK$79,000,000. The disposal of the pharmaceutical manufacturing operations enabled the Group to focus on the development of ISD System operations.

Business Review

The ISD market in China is currently undergoing a rapid development stage. As a pioneer in the industry, the Group's business is growing rapidly along with the strong development momentum in the industry. During the year, Anxin-China installed a total of three monitoring centers in provinces of Heilongjiang, Jiangsu and Jilin; and 1,947 surveillance points in a total of ten cities out of four provinces of Yunnan, Guizhou, Jilin and Liaoning. As at the end of 2010, Anxin-China has established a total of 21 and 6 ISD monitoring centers for coal mines and multi-industry points respectively, as well as 4,759 and 1,734 surveillance points for coal mine and multi-industry ISD system respectively in eight provinces of the PRC.

Anxin-China ISD system service has extended its coverage to seven main categories of the 31 categories of origins of peril as stipulated by the State Administration of Work Safety. Through successful completion of numerous large-scale projects in ten provinces, cities and districts, the Group had accumulated extensive industry experience, thereby laying a solid foundation for further development. Looking ahead, the Group will keep abreast to market demand and extend the application of ISD system into the remaining 24 categories of origins of peril. The Group is also proactively extending its business presence to penetrate into different parts of China, and while providing comprehensive customized solutions to clients, contributes to the industry safety in China.

Industry Overview

Anxin-China is an integrated solution provider of Intelligent Surveillance, Disaster Alert & Rescue Coordination Systems in the PRC and is dedicated to the research and development of ISD software, system installation and operation services. The Group is principally engaged in the development of remote detection and monitoring platform and wireless remote real-time detection warning technology. Its businesses comprises of: (i) production of ISD system and application software; (ii) customized ISD solutions according to client's needs; and (iii) value-added services after-sales maintenance for recurring income on ISD solutions. Currently, Anxin-China products apply on coal mining industry and multi-industry field including oil depot, oil station, hazardous chemicals production and operation warehousing, etc. and government regulatory authorities likes Administration of Work Safety, Administration of Coal Mine Safety and Safe Production Emergency Control Center; providing service on timely prediction warning of hidden dangers and emergency rescue on accidents. To protect its intellectual property rights in public security and new high technology and software development in safety production, the Group has applied for and been granted over 30 patents and copyrights in China for its proprietary key research and development technology. The Group has obtained the ISO9001: 2008 Quality Management System Standard Certification.

As the pioneer and leader of ISD industry in China, the Group is the largest coal mining and multi-industry ISD system provider. According to industry statistics, the Group had about 40% and 100% market share of the installed ISD system in coal mines and industry ISD system respectively. The Group is one of panel member of the consultative body to the State on policy and standard setting for coal mining ISD requirements, and is also the only system provider who actively participates in the formulation of ISD system standards in the industry. To the management's knowledge, the Group is among the earliest batch of coal mining ISD system providers endorsed by the Chinese government, as well as the first and only active multi-industry ISD system provider. During the year, the subsidiary of the Group was granted the "State Hi-Tech Enterprise Certification" by Ministry of Science and Technology of the People's Republic of China and "The Leading Enterprise of China Software and Information Service Internet-of-Things in 2009-2010" by China Software Industry Association and China Institute for Information Industry Development which further accredited the technological standards of the Group.

The safety production and environmental protection issues brought by economic development have drawn much attention, the Chinese government and the society are investing extensive resources in hope of improving these issues with an aim to achieving "inclusive growth" in economy. Recent occurrence of natural disasters and major coal mine accidents have raised public awareness of safety and protection, leading to the government and the public's concern on safety production and emergency rescue.

ISD System

The application of ISD system can be categorized into coal mining ISD system and multi-industry ISD system. In order to strengthen the security surveillance management, the Chinese government has put forward the concept of ISD system in 2003, and initiated the application of the ISD system in coal mining industry in 2004. In 2008, the Chinese government further defined the application scope for the multi-industry ISD system in 31 types of origins of peril (including coal mine, warehouse, gas station, oil depot, open-pit mine, non-coal underground mine, construction site, operation of dangerous chemicals, transportation of dangerous goods and radiation source etc.) that may cause massive injuries and death. The application of the ISD system in the 31 types of origins of peril.

At present, the ISD system is directly constructed and monitored by the State Administration of Work Safety, a bureau under the State Council. The two sub-bureaus of the State Administration of Work Safety, namely the State Administration of Coal Mine Safety and National Workplace Emergency Management Center, are responsible for constructing and monitoring coal mining ISD system and multi-industy ISD system covering the remaining 30 types of origins of peril respectively.

Through sensors installed in dangerous regions such as coal mines, gas stations and construction sites that will result massive injuries and death, the ISD system collects all kinds of indicative information that are related to safety production. The collected information will be sent to the data processors located at the surveillance points, then further to the monitoring centres at different government levels through public network like dedicated optical cable, satellite and GPRS. The system is designed to assist government departments and safety monitoring bodies to achieve remote real-time monitoring on origins of peril, providing intelligent disaster warning and eradicating the potential danger in time. In addition, the system provides dynamic information and intelligent solutions for related bodies when making emergency rescue decisions.

Internet-of-things

ISD system is a form of successful practice of feasible practical application under the Internet-of-Things technology. Internet-of-Things is defined as connecting all objects with internet through data sensors (such as radio frequency identification (RFID), infrared sensor, global positioning system and laser scanner) to perform information exchange and communication, achieving intelligent identification, positioning, tracking, monitoring and management. The Machine-to-Machine ("M2M") technology was first applied widely on Internet-of-Things. It refers to the technology that enables communication between devices via cable or wireless system to objects without human intervention. These objects may be industry equipment, ammeters, medical equipment, transportation devices, mobile telephones, motor vehicles, vending machines, home appliances, body-building equipment and buildings, bridges, highways, railroads etc. These objects equipped with embedded communication technology products different types of communication protocols, other devices and IT systems, providing continuous, real-time and specific particulars information. In a broader perspective, M2M also includes the interactive activities between human and machines (Mobile-to-Machine).

The website of the China Public Security, an authoritative website for the security and protection products industry in China, states that "In the world of Internet-of-Things, all sensing devices are connected to form a multi-tentacle sensing network. This requires not only our sensing device to "feel", but also "identify" and "analyze", and then transmit the identified and analyzed information to the supporting application centre for decision making."

The Internet-of-Things is widely applied in harmony on internet through intelligent sensing, identification technology and pervasive computing, and is named as the third wave of the world's information industry development following computers and internet. In October 2010, the 12th Five-Year Plan Proposal formulated by the Chinese government clearly states the promotion of the research and development of Internet-of-Things and its applications; on the emphasis on information sharing, and inter-connection, the strengthening of the construction of digital national government affairs network to integrate and upgrade the capabilities of government public services and administration; ensuring the security of base information network and important information systems.

Research and Development

The competition of the domestic ISD market is mainly based on: (1) quality of system and service; (2) ability to meet customer' need; (3) system capacity and processing ability; (4) reliability and stability of system; and (5) successful cases of system providers. With a sizable territory, the geographical features and socioeconomic development level of different regions in China vary significantly. As a result, the demand for ISD system in different regions varies, and competent system providers must be able to promptly provide customized ISD according to customers' needs. As the ISD system plays a vital role in the regulatory authorities in monitoring the areas under control, the stability and reliability of the systems are crucial. Currently, to the management's knowledge, the Group is the only security protection enterprise where its ISD system is compatible with all communication platforms, including different network platforms such as dedicated optic-fibre, wireless GPRS/CDMA, satellite, ADSL, telephone and power line. And on information transmission, the distinctive feature of our proprietary technology's relatively low network bandwidth requirement while ensuring accuracy of information transmitted has accredited our absolute technological and cost advantage. With regard to information processing, the Group has significantly improved its system processing ability by using the distributed cloud-computing technology, enabling it to perform synchronized process and analysis of large volume of data. To the management's knowledge, currently Anxin-China is the only enterprise that can facilitate a monitoring center to achieve real-time remote monitoring of over 1,000 surveillance points in the industry.

The Group will continue to invest in research and development activities, and the key development aspects in future include, among other things, (1) intelligent safety warning platform based on cloud-computing; (2) multi-functional emergency rescue platform; (3) second generation data processor (being the upgraded version of existing data processor); (4) integrated comprehensive information system for human protection; and (5) other software systems.

Prospect and Outlook

Policy Support

The Chinese government had implemented various policies to promote safety production. In 2005, implementation of coal mining ISD system was officially incorporation into the "11th Five-Year Plan". In 2008, State Administration of Work Safety defined 31 types of origins of peril that can cause massive injuries and death and those were planned to be incorporated into the ISD system within a decade. The "12th Five-Year Plan" proposal suggests increasing investment in public safety, enhancing safety production, perfecting the prevention, warning and emergency handling system for incidents and disasters on public health, food safety and social safety; as well as promoting the research and development of Internet-of-Things and its applications. As ISD systems in China are directly constructed and monitored by the safety surveillance authorities under the local governments, the wide spread promotion of safety production and enhanced emergency rescue capability provides the strong driving force for robust development of ISD system market in China.

As the rollout of ISD systems in China falls behind, the number of surveillance points with installed ISD system accounted for less than 1% to total surveillance points envisaged. As a result, the ISD system market will bound to an explosive growth in future. As the only active ISD system solution provider that operates on both the coal mining ISD system as well as multi-industry ISD system, it is believed that enormous opportunities will prevail in future.

Development Strategy

In respect of market distribution, Anxin-China foreseen the opportunities in the ISD market and quickly gained market share in various provinces and cities including Yunnan, Shenzhen, Jilin, Liaoning, Guizhou, Jiangsu, Sichuan, Heilongjiang and Guangdong during 2009 and 2010. In 2010, the Group set up its Eastern China base in Jiangsu Province, covering regions such as Jiangsu, Anhui, Shanghai, and Shandong. At the meantime, Anxin-China plans to further expand its domestic sales and marketing network to seize market opportunities and expand market coverage. At the same time, the Group will actively seeking vertical integration opportunities in the industry by acquisition of suitable upstream enterprises in order to expand business scale rapidly, enhance overall efficiency and demonstrate our presence as the market leader.

CHIEF OPERATING OFFICER REPORT

The year of 2010 is of profound significance to Anxin-China. The ISD business has become the core business of the Group after the business restructure in the previous year, enabling the Group to become the largest ISD provider in China. By now, Anxin-China had installed 27 monitoring centers and 6,493 ISD system surveillance points throughout China. The Group will leverage on this established foundation to expand the number of monitoring centers and ISD system surveillance points continuously, with a view to build up a growing security and protection network.

Adhering to the direction of the "12th Five-Year Plan" proposal, China Security and Protection Industry Association, an authoritative organization in the industry, also proposed its own "12th Five-Year Development Plan" for the security and protection industry in China. It specifies the direction of the security protection industry in China in next five years (2011-2015). For the "12th Five-Year Development Plan" of the industry, it is expected that the security and protection industry in China will further achieve leaping development in technology innovation and product upgrade. At the same time, it clearly states that the development of security protection industry aims at enterprise technology innovation and providing convenience for the government administrative authority's decision making and also for end-users. This is in line with our business model of providing ISD system integration solutions for direct co-operation with government regulatory authority. The unique business model in direct co-operation with government/regulatory authority has provided a solid foundation for Anxin-China in maintaining a growth rate preceding the industry average, and also a continued drive for the Group to maintain a strong growth momentum in the future. Digitalized city construction and utilisation of Internet-of-Things in security protection will become the focus in future city development, bringing a great development platform for Anxin-China, which is crucial to the future development of Anxin-China.

The industry's "12th Five-Year Development Plan" proposes the adoption of scientific methods for industry development, emphasizes closer future co-operative relationship between the government and enterprises in security protection, and highlights the proximity between the improvement of security protection standard and the comprehensive development of sociopolitical, economic and cultural activities. The "12th Five-Year Development Plan" also stresses the integration of the most advanced technology development trend to incorporate the "Internet-of-Things"concept into the securities alert system, that is to make the security protection monitoring system more intelligent for the formation of "Internet-of-Security Protection", which would further fuel the strong growth of security protection industry in China. In respect of scientific research, Anxin-China always supports innovation and on-going research, explores application areas and key technical focus, and participates in setting of professional standards of the industry. In developing the "Internet-of-Security Protection", Anxin-China shall remain in forefront of the industry. We firmly believe that in the next five years or even a longer period, the security protection industry in China will sustain a rapid growth, and Anxin-China will be able to benefit from the immense development opportunities brought by the "12th Five-Year Plan".

The Group is endeavour to become the largest ISD solutions and operation service provider in China. I believe, with Anxin-China working harmoniously together at all levels, we will grasp the ample market opportunities and achieve a sustainable and rapid growth.

Mr. Liu Zhong-gui is the Chief Operating Officer of the Group.

Exposure to Fluctuations in Exchange Rates

The Group conducts its business in Renminbi ("RMB") except that convertible notes and warrants are in Hong Kong dollars ("HK$"). The value of RMB against the HK$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. The Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide the hedging policy required against the possible foreign exchange risk that may arise.

EMPLOYEES AND REMUNERATION POLICY

Business Philosophy: human-oriented

The Group attached great importance to human-oriented business philosophy. In daily operations, the Group insists on treating every staff with respect and care, at the same time motivating their personal initiative, potential and creativity by a series of incentive policies.

Number of Employees and other information of the Group

In August 2010, the Group disposed Long Master, which directly held the entire equity interest in Fujian Nanshaolin. Therefore, at the end of 2010, the Group had a total of 185 employees (31 December 2009: 221), a significant decrease compared with the year 2009.

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been compared by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by Messrs. Deloitte Touche Tohmatsu 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 auditors on this Announcement.

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.

CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on 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. Before the disposal of the pharmaceutical business, 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. After the disposal of the pharmaceutical business, the Group is seeking for a suitable person with capable leadership, knowledge on ISD business, relevant skills and experiences for the post. The Company planned to appoint a chief executive officer responsible for the Group's operation in 2011.

– 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 FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the accounting period covered by 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.

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 2010.

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 2010 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of Company will be closed from 27 May 2011 to 30 May 2011, 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 30 May 2011, 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 26 May 2011.

By Order of the Board
Anxin-China Holdings Limited
Mr. Zhong Houtai
Chairman

Hong Kong, 29 March 2011

Website: *www.anxin-china.com.hk*

As at the date of this announcement, the executive Directors are Mr. Zhong Houtai, Mr. Zhong Houyao, Mr. Yang Ma and Mr. Lin Supeng and the independent non-executive Directors are Mr. Cheung Chuen, Mr. Pei Renjiu and Mr. Li Kai Ming.