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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1149)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2012, consolidated turnover of the Group amounted to approximately HK$849,730,000 (2011: HK$598,172,000), representing an increase of approximately 42% over the corresponding period.

- Profit for the year attributable to owners of the Company amounted to approximately HK$547,872,000 (2011: HK$404,220,000), representing an increase of approximately 36% over the corresponding period.

- Basic earnings per share and diluted earnings per share amounted to HK20.00 cents (2011: HK16.37 cents) and HK19.89 cents (2011: HK15.35 cents) respectively.

- Net cash inflow from operating activities amounted to approximately HK$618,399,000 (2011: HK$336,238,000).

- The Board of Directors recommended a final dividend of HK3.6 cents (2011: HK3 cents) for every ordinary share.

The Board of Directors (the "Board") of Anxin-China Holdings Limited ("the Company") is pleased to announce the consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2012, together with comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	5	**849,730**	598,172
Cost of sales		**(132,775)**	(61,689)
Gross profit		**716,955**	536,483
Other revenue	6	**97,278**	48,368
Other gains and (losses)	7	**46,049**	(22,315)
Selling and distribution costs		**(116,814)**	(65,452)
Administrative expenses		**(45,041)**	(31,028)
Research and development expenses		**(77,394)**	(51,462)
Finance costs	8	**(6,326)**	(12,346)
Profit before income tax expense	9	**614,707**	402,248
Income tax (expense)/credit	11	**(66,882)**	1,972
Profit for the year		**547,825**	404,220
Profit for the year attributable to			
Owners of the Company		**547,872**	404,220
Non-controlling interests		**(47)**	–
		547,825	404,220
Other comprehensive income includes			
Exchange gains arising on translation of financial statements of foreign operations		**37,354**	125,717
Other comprehensive income for the year		**37,354**	125,717
Total comprehensive income for the year		**585,179**	529,937
Total comprehensive income for the year attributable to			
Owners of the Company		**585,228**	529,937
Non-controlling interests		**(49)**	–
		585,179	529,937
Earnings per share *(HK cents)*	12		
– Basic		**20.00**	16.37
– Diluted		**19.89**	15.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment		**135,051**	107,719
Goodwill		**1,296,803**	1,129,430
Other intangible assets		**651,770**	83,722
Deferred tax assets		**1,659**	5,338
Total non-current assets		**2,085,283**	1,326,209
Current assets			
Inventories		**19,353**	10,798
Trade and other receivables	*13*	**378,256**	235,468
Restricted bank deposits		**18,500**	–
Cash and cash equivalents		**1,580,697**	1,077,795
Total current assets		**1,996,806**	1,324,061
Total assets		**4,082,089**	2,650,270
Current liabilities			
Trade and other payables	*14*	**163,796**	49,782
Contingent consideration shares	*15*	**270,142**	–
Current tax liabilities		**59,061**	12,963
Total current liabilities		**492,999**	62,745
Net current assets		**1,503,807**	1,261,316
Total assets less current liabilities		**3,589,090**	2,587,525
Non-current liabilities			
Promissory note	*16*	**78,658**	–
Deferred tax liabilities		**100,570**	11,929
Total non-current liabilities		**179,228**	11,929
Total liabilities		**672,227**	74,674
NET ASSETS		**3,409,862**	2,575,596
Capital and reserves attributable to owners of the Company			
Share capital	*17*	**282,616**	268,087
Reserves		**3,127,246**	2,305,066
Equity attributable to owners of the Company		**3,409,862**	2,573,153
Non-controlling interests		**–**	2,443
TOTAL EQUITY		**3,409,862**	2,575,596

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.

In April 2012, the Group acquired Yu Hong Investments Limited and its subsidiaries (the "Yu Hong Group") *(note 19(a))* whose principal activities are design, development, production and distribution of security and protection products, surveillance cameras and Closed Circuit Television ("CCTV") products (the "Yu Hong Acquisition").

In August 2012, the Group acquired Tech Praise Limited and its subsidiaries (the "Tech Praise Group") *(note 19(c))* whose principal activities are customising Intelligent Surveillance Disaster Alert & Rescue Coordination ("ISD") solutions according to customer needs, the provision of ISD hardware and software and ongoing ISD agency operations and maintenance services (the "Tech Praise Acquisition").

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of system hardware and application software for installation of ISD Systems, provision of system solutions services and the design, development, production and distribution of security and protection products, surveillance cameras and CCTV products.

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

(a) Adoption of amendments to HKFRSs – first effective 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

(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.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting financial assets and financial liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[3]

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to the following standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

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.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

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 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these pronouncements 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 except for the deferred considerations that are classified as financial liabilities at fair value through profit or loss and carried at fair value.

(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. SEGMENT REPORTING

The Group determines its operating segment based on the reports reviewed by the chief operating decision-maker (i.e. the board of directors) for the purposes of assessing segment performance and allocating resources.

During the year ended 31 December 2012, the Group has two reportable segments as a result of acquisition of Yu Hong Group. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

(i) ISD system segment – ISD is an acronym standing for "Intelligent Surveillance Disaster Alert and Rescue Co-ordination". It involves the setting up of a dedicated communications platform using Internet-of-things technologies, through which industrial safety parameters, such as gas content in a coal mine, oil pressure in an oil depot, etc, are transmitted from industrial enterprises to the Local Government Monitoring Centre via the Internet. The Group's revenue from this segment is primarily derived from the sales of software and hardware, primarily software, to local government authorities or sub-contractors of local government authorities, as well as service charges received for ongoing systems maintenance services.

(ii) ISS segment – ISS is an acronym standing for "Intelligent Safety Systems". The Group's revenue from this segment is primarily derived from the sales of software, hardware and equipment, primarily hardware and equipment, such as surveillance cameras, CCTV products and sensors, to industrial enterprises for the purpose of ensuring industrial safety.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

(a) Business segment

Segment information for the year is set out below:

	ISD system segment		ISS segment		Elimination		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**742,823**	598,172	**106,907**	–	**–**	–	**849,730**	598,172
Inter-segment sales	**3,364**	–	**1,021**	–	**(4,385)**	–	**–**	–
Total	**746,187**	598,172	**107,928**	–	**(4,385)**	–	**849,730**	598,172
Segment profit	**580,577**	402,248	**26,742**	–	**–**	–	**607,319**	402,248

	ISD system segment		ISS segment		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**3,513,906**	2,650,270	**376,053**	–	**3,889,959**	2,650,270

	ISD system segment		ISS segment		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment liabilities	**154,600**	74,674	**73,596**	–	**228,196**	74,674

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

Revenue	**2012**	2011
	HK$'000	*HK$'000*
Reportable segment revenue	**854,115**	598,172
Elimination of inter-segment revenue	**(4,385)**	–
Consolidated revenue	**849,730**	598,172

Profit before income tax expense	**2012**	2011
	HK$'000	*HK$'000*
Reportable segment profit	**607,319**	402,248
Other revenue	**778**	–
Other gains and losses	**28,281**	–
Exchange gains, net	**656**	–
Finance costs	**(6,326)**	–
Unallocated corporate expenses	**(16,001)**	–
Consolidated profit before income tax expenses	**614,707**	402,248

Assets	**2012**	2011
	HK$'000	*HK$'000*
Reportable segment assets	**3,889,959**	2,650,270
Elimination of inter-segment receivables	**(4,491)**	–
Cash and cash equivalents	**188,223**	–
Unallocated corporate assets	**8,398**	–
Consolidated total assets	**4,082,089**	2,650,270

Liabilities	**2012**	2011
	HK$'000	*HK$'000*
Reportable segment liabilities	**228,196**	74,674
Elimination of inter-segment liabilities	**(4,491)**	–
Other payables	**99,672**	–
Promissory note	**78,658**	–
Contingent consideration shares	**270,142**	–
Unallocated corporate liabilities	**50**	–
Consolidated total liabilities	**672,227**	74,674

(c) Geographical Information

The directors of the Group consider that the Group's consolidated revenue and substantially all of its 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.

(d) Information about major customers

For the year ended 31 December 2012, one customer of the ISD system segment had sales of HK$90,314,000 which contributed to more than 10% of the Group's revenue.

For the year ended 31 December 2011, three customers of the ISD system segment had sales of approximately HK$141,645,000, HK$114,786,000 and HK$75,971,000 respectively each of which contributed to more than 10% of the Group's revenue.

5. TURNOVER

Turnover represents the invoiced value of sale of application software and system hardware, security and protection products and manufacturing and sales of surveillance cameras and CCTV products, 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:

	2012	2011
	HK$'000	*HK$'000*
Sales of application software and system hardware	**639,491**	563,843
Sales of surveillance cameras and CCTV products	**74,295**	–
System solution service income	**135,944**	34,329
	849,730	598,172

6. OTHER REVENUE

	2012	2011
	HK$'000	*HK$'000*
Refund of value-added tax *(note a)*	**84,876**	41,723
Interest income	**5,669**	4,564
Subsidy income *(note b)*	**3,975**	2,081
Others	**2,758**	–
	97,278	48,368

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.

(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)

	2012	2011
	HK$'000	*HK$'000*
Fair value changes on contingent consideration shares *(note 15)*	**(33,209)**	–
Compensation gain arising from acquisition of Yu Hong Group *(note 19(a))*	**61,490**	–
Exchange gains, net	**681**	10,540
Reversal of impairment loss on trade receivables	**23,493**	–
Provision for impairment loss on goodwill	**(7,663)**	–
Provision for impairment loss on trade receivables	**–**	(23,493)
Provision for impairment loss on property, plant and equipment	**–**	(9,133)
Others	**1,257**	(229)
	46,049	(22,315)

8. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within five years	**–**	365
Effective interest expense on convertible notes	**–**	11,981
Effective interest expense on promissory note	**6,326**	–
	6,326	12,346

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**63,693**	27,019
Auditor's remuneration	**2,612**	2,044

10. STAFF COSTS

	2012	2011
	HK$'000	*HK$'000*
Staff costs (including directors) comprise:		
Contributions on defined contribution retirement plans	**1,381**	461
Salaries and other employees benefits	**23,706**	13,969
Share-based payment expenses	**8,402**	–
	33,489	14,430

11. INCOME TAX EXPENSE

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

	2012	2011
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax ("EIT")		
– tax for the year	**82,577**	12,677
– over provision in respect of prior year	**(5,880)**	(3,667)
	76,697	9,010
Deferred tax		
– Credit to profit or loss for the year	**(9,815)**	(10,982)
Income tax expense/(credit)	**66,882**	(1,972)

12. EARNINGS PER SHARE

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:

	2012	2011
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the parent	**547,872**	404,220
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**–**	11,981
Fair value change on contingent consideration shares	**(914)**	–
Earnings for the purposes of diluted earnings per share from continuing operations	**546,958**	416,201

Number of shares	**2012**	2011
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousands)*	**2,739,248**	2,469,690
Effect of dilutive potential ordinary shares *(thousands):*		
– convertible notes	**–**	229,657
– warrants	**2,065**	12,064
– options	**4,756**	–
– contingent consideration shares	**3,663**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share *(thousands)*	**2,749,732**	2,711,411

Note:

The computation of diluted earnings per share does not assume an exercise of the Company's outstanding share options, which were granted on 1 April 2011 with exercise price of HK$2.25, as the exercise price of those options is higher than the average market price of the Company's shares for 2012.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding 3rd tranche of contingent consideration shares of 40,622,884 shares since their exercise would result in an increase in profit per share from operations and the 4th and 5th tranche of contingent consideration shares of 101,557,211 shares in aggregate as the relevant profit conditions are not satisfied at the end of the reporting period (details on contingent consideration shares, please refer to note 19(c)).

13. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**363,161**	207,427
Other receivables	**2,454**	11,709
Amount due from a related party	**599**	–
Amounts due from directors	**620**	495
Rental and utility deposits	**3,147**	2,700
Advance to suppliers	**8,275**	13,137
	378,256	235,468

The amounts due from a related party and directors 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 2012 and 2011. 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 sales of 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.

	2012	2011
	HK$'000	*HK$'000*
Aged:		
Within 30 days	**137,144**	8,277
31 – 60 days	**141,549**	87,829
61 – 90 days	**6,388**	49,220
91 – 180 days	**4,587**	3,946
181 – 365 days	**73,476**	58,155
More than 365 days	**17**	–
	363,161	207,427

Of the trade receivables balance at the end of the year, HK$94,178,000 (31 December 2011: HK$67,174,000) is due from the Group's largest customer. There are another eight customers (31 December 2011: seven customers) who represent more than 5% of the total balance of trade receivables. These customers are with no history of default in the past.

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

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**23,493**	–
Recovery of impairment loss recognised *(note a)*	**(23,493)**	–
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:

	2012	2011
	HK$'000	*HK$'000*
Current *(note b)*	**247,933**	200,221
Less than 30 days past due	**72,075**	–
31 – 90 days past due	**16,916**	7,196
91 – 120 days past due	**26,237**	10
Amount past due but not impaired at the end of reporting period *(note c)*	**115,228**	7,206
	363,161	207,427

Note:

(a) In 2011, a subsidiary of the Company, Jiangsu Hongxin, provided an impairment loss on a receivable from a customer as the management assessed that the balance of approximately HK$23,493,000 was probably uncollectible due to the occasional electricity breakdown of ISD system managed. However, the problem was solved in 2012, and the balance has been settled by the customer. As a result, the provision for impairment loss recognised in 2011 was reversed.

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

(c) 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 of HK$23,493,000 was recognised as at 31 December 2011. 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.

The balances of approximately HK$115,228,000 were past due but not impaired related to balances where there has not been a significant change in credit quality and the amounts are still considered recoverable.

14. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**22,900**	8,714
Cash consideration *(note a)*	**96,700**	–
Other payables and accruals	**19,666**	38,702
Other tax payables	**13,568**	40
Amounts due to related parties *(note b)*	**3,870**	2,076
Advance from customers	**7,092**	250
	163,796	49,782

Note:

(a) As set out in note 19(a), as part of the consideration of the Yu Hong Acquisition, the balance represented deferred cash consideration which together with the promissory note consideration *(note 16)* are subject to contingent consideration adjustments.

(b) 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:

	2012	2011
	HK$'000	*HK$'000*
Aged:		
Within 30 days	**8,308**	917
31 – 60 days	**2,150**	–
61 – 90 days	**1,904**	–
91 – 180 days	**937**	7,323
181 – 365 days	**1,087**	–
More than 365 days	**8,514**	474
	22,900	8,714

15. CONTINGENT CONSIDERATION SHARES

	2012	2011
	HK$'000	*HK$'000*
Fair value of contingent consideration shares for Tech Praise Acquisition *(note)*	**270,142**	–

Note:

As set out in note 19(c), as part of the consideration for the acquisition of Tech Praise Group, the Company was required to issue 203,114,421 new shares based on five tranches of consideration shares. Consideration shares of 60,934,326 for first and second tranche of shares were issued during the year ended 31 December 2012 and were re-measured to fair value at the date of its issuance. The remaining 142,180,095 shares, which were subject to adjustment principally based on Tech Praise Group's profits for the years ending 31 December 2012 and 2013 *(detail refer to note 19(c))*, were still classified as financial liabilities in the consolidated statement of financial position and re-measured to fair value at the end of the reporting period. A total fair value loss of approximately HK$33,209,000 was recognised in profit and loss accordingly.

16. PROMISSORY NOTE

	2012
	HK$'000
Fair value at date of issue *(note a)*:	**173,822**
Compensation gain arising from profit guarantee *(note b)*	**(101,490)**
Imputed interest recognised during the year	**6,326**
Carrying amount at the end of the year	**78,658**

Note:

(a) As set out in note 19(a), the Company issued a zero-coupon promissory note in the principal amount of HK$189,000,000 (the "Promissory Note") as part of the consideration for the acquisition of the entire equity of Yu Hong Group. The Promissory Note has a two-year maturity terms and the Company has the right to redeem the Promissory Note by giving not less than 7 days prior written notice to the holder of Promissory Note while the holder of the Promissory Note has the right to transfer the outstanding balance of Promissory Note respectively before the maturity terms.

The fair value of the Promissory Note was determined at approximately HK$173,822,000 issued at acquisition date, based on an independent valuation carried out by an independent firm of valuers, Asset Appraisal Limited. The effective interest rate of the Promissory Note was determined to be 4.77% per annum. The Promissory Note was classified as non-current liabilities and carried at amortised cost until extinguished on redemption.

(b) Pursuant to the profit guarantee arrangement as disclosed in note 19(a), the Company is entitled to recover the Promissory Note as the 2012 Profit Guarantee *(as defined in note 19(a))* for the year ended 31 December 2012 is less than the relevant profit guarantee. The Company assessed that the 2012 Profit Guarantee was partially met and compensation gain of approximately HK$101,490,000 to be recovered through the reduction of Promissory Note.

17. SHARE CAPITAL

Authorised, issued and fully paid

	2012	**2012**	2011	2011
	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	**2,680,873**	**268,087**	2,079,746	207,975
Issue of shares on conversion of convertible notes *(note a)*	**–**	**–**	432,307	43,230
Issue of shares on exercise of warrants *(note b)*	**15,000**	**1,500**	75,000	7,500
Issue of shares on exercise of share options *(note c)*	**37,000**	**3,700**	–	–
Purchase of own shares for cancellation *(note d)*	**–**	**–**	(46,280)	(4,628)
Placing of new shares *(note e)*	**–**	**–**	140,100	14,010
Issue of new shares *(note f)*	**93,288**	**9,329**	–	–
At end of the year	**2,826,161**	**282,616**	2,680,873	268,087

Note:

(a) 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 ended 31 December 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 ended 31 December 2011 and 2012, 75,000,000 and 15,000,000 warrants were exercised, respectively, at a subscription price of HK$1.22 per share, resulting in the issue of 75,000,000 and 15,000,000 ordinary shares of HK$0.1 each. All the warrants were exercised during the year ended 31 December 2012.

(c) On 16 April 2012, a total of 158,820,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to the grantees (the "Grantees"), subject to acceptance by the Grantees, under the share option scheme adopted by the Company on 3 November 2003.

On 18 June 2012 and 3 December 2012, a total of 19,000,000 and 18,000,000 share options were exercised at a subscription price of HK$1.5 per share, resulting in the issue of 37,000,000 ordinary shares of HK$0.1 each.

(d) 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 are allowed to repurchase shares in the Company not exceeding 10% of the issued share capital of the Company. Up to 31 December 2012, the Company has repurchased a total of 46,280,000 of its own shares pursuant to the Repurchase Mandate. There is no repurchase of shares during the year ended 31 December 2012.

(e) 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.

(f) On 4 May 2012, a total of 32,353,756 shares were issued, according to the Agreement for the acquisition of Anxin Mate Holdings Limited ("Anxin Mate") *(note 19(b))*.

On 9 August 2012 and 21 November 2012, a total of 60,934,326 shares as Consideration Shares were issued for acquisition of Tech Praise Group *(note 19(c))*.

18. DIVIDENDS

At the Company's board meeting held on 18 March 2013, the directors recommended a final dividend of HK3.6 cents (2011: HK3 cents) per ordinary share. The proposed dividend of HK$101,827,000 is calculated on the basis of 2,828,516,924 shares in issue at the date of this announcement. 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 2012.

19. ACQUISITIONS DURING THE YEAR

(a) On 14 November 2011, the Group entered an agreement (the "Original Agreement") for the acquisition of Yu Hong Group, together with the loan of HK$13,005,000 due to its shareholder, at an aggregate consideration of HK$315,000,000, of which HK$126,000,000 shall be satisfied by cash and the balance of HK$189,000,000 by way of promissory note issued by the Company. The promissory note is subject to Yu Hong Group's profit guarantee for the year ended 31 December 2012 of HK$90,000,000 (the "2012 Profit Guarantee") (details are set out in the Company's announcement dated 15 November 2011).

Yu Hong Investments Limited is a company incorporated in the British Virgin Islands, which holds Island Wide Investments Limited and Shenzhen Hawell Advanced Technology Co., Ltd. ("Shenzhen Hawell") incorporated in Hong Kong and the PRC respectively. Shenzhen Hawell's principal activity is the design, development, production and distribution of security and protection products and CCTV products. The purpose of the acquisition is to broaden revenue base and provide synergy effect of current ISD systems operation.

The fair value of separate identifiable assets and liabilities of the acquiree, excluding the shareholder's loan of HK$13,005,000, as at the date of acquisition was:

	HK$'000	*HK$'000*
Property, plant and equipment	754	
Patents	215,933	
Inventories	23,084	
Trade and other receivables *(note i)*	12,187	
Cash	2,770	
Trade and other payables	(20,466)	
Deferred tax liabilities recognised upon fair value adjustments	(53,983)	
		180,279
The provisional fair value of consideration transfer:		
Cash paid	29,300	
Contingent consideration:		
Cash consideration *(note 14)*	96,700	
Promissory note *(note 16)*	173,822	
		299,822
Goodwill *(note ii)*		119,543

Note:

(i) The fair value of trade and other receivables amounted to HK12,187,000. The gross amount of these receivables is HK$12,187,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(ii) The goodwill of HK$119,543,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing ISD system operations of the Group.

On 10 January 2012, a supplemental agreement (the "First Supplemental Agreement") was entered pursuant to which the cash portion of the consideration for the Acquisition ("Cash Consideration") in the sum of HK$126,000,000 shall be paid by the Company to the Vendor by three installments and is subject to certain conditions (details are set out in the Company's announcement dated 10 January 2012):

- A sum of HK$29,300,000 be paid within 7 Business Days from the day of Completion of the Acquisition;

- A sum of HK$40,000,000 be paid within 1 month after it is determined that the Yu Hong Group's profits after tax but before extraordinary items for the year ended 31 December 2011 and for the three months ended 31 March 2012 is not less than HK$29,890,000 and HK$8,650,000, respectively; and

- The balance of the Cash Consideration in the sum of HK$56,700,000 shall be paid within 1 month after it is determined that the Yu Hong Group's profit for the six months ended 30 June 2012 is not less than HK$30,000,000.

The first payment of HK$29,300,000 was paid by the Company during the year ended 31 December 2012.

During the year ended 31 December 2012, the management of the Group determined that Yu Hong Group's profits did not fulfill the guaranteed profits for the year ended 31 December 2011 and for the three months ended 31 March 2012, which are circumstances before date of acquisition of 1 April 2012. The second cash payment of HK$40,000,000 was waived and represented as a measurement period adjustment and adjusted the fair value of the cash consideration transferred at the acquisition date and recognised as part of goodwill.

During the year ended 31 December 2012, the management of the Group also determined that Yu Hong Group's financial performance did not fulfill the guaranteed profits for the six months ended 30 June 2012, which was circumstance after date of acquisition of 1 April 2012. The third cash payment of HK$56,700,000 represented change in contingent consideration and the waiver of payment was recognised in profit or loss.

On 17 August 2012, the Company entered into a second supplemental agreement (the "Second Supplemental Agreement") in relation to the restoring of the cash consideration of HK$96,700,000 waived in the First Supplemental Agreement (the "Remaining Cash Consideration"), pursuant to which the parties have agreed that (details are set out in the Company's announcement dated 17 August 2012):

- if the 2012 actual profit turns is not less than the 2012 Profit Guarantee as stated in the Original Agreement (i.e. HK$90,000,000), the Company shall, within one month after it is determined the 2012 Profit Guarantee was met, pay to the Vendor for the Remaining Cash Consideration; and

- if the 2012 Actual Profit turns is less than the 2012 Profit Guarantee, the 2012 compensation amount (2012 Profit Guarantee – 2012 actual profit) x Price-to-earning ratio of 3.5 times) shall be deducted from the principal amount of the Promissory Note first and further shortfall shall be deducted from the Remaining Cash Consideration, instead of simply from the Promissory Note.

As a result of the entering of the Second Supplemental Agreement, the management assessed that the Remaining Cash Consideration and the Promissory Note will be adjusted based on the profits for the year ended 31 December 2012. This also represents a modification to the terms of the original liability. It should be taken into account in measuring the fair value of the contingent consideration liability at the reporting date. The restoring of Remaining Cash Consideration HK$96,700,000 was recognised in profit or loss.

During the year ended 31 December 2012, the management of the Group assessed that the profit guarantee for the year ended 31 December 2012 is less than the relevant profit target. Compensation arising from profit guarantee arrangement was determined by management of the Group to be approximately HK$101,490,000 and was deducted from the promissory note *(note 16)*.

During the year ended 31 December 2012, there was net compensation gain of approximately HK$61,490,000 of contingent consideration arising from Yu Hong Acquisition recognised in profit or loss.

Since the acquisition date on 1 April 2012, Yu Hong Group has contributed HK$123,783,000 and HK$56,146,000 to the Group's revenue and profit for the year ended 31 December 2012. If the acquisition had occurred on 1 January 2012, the revenue and profit contributed by Yu Hong Group would have been HK$149,483,000 and HK$60,997,000 respectively. The acquisition-related costs of HK$102,000 have been expensed and are included in administrative expenses.

(b) On 4 May 2012, the Company acquired 100% equity interests of Anxin Mate, as detailed in the Company's announcement dated 4 May 2012 (the "Anxin Mate Acquisition"). Based on the precedent condition in the acquisition agreement, the vendor, Mate Intelligent Video 2009 Limited, would transfer the Behaviour Watch Assets to the newly incorporated Anxin Mate. Upon the completion of the Anxin Mate Acquisition, the Group would have the right to utilise the Behaviour Watch Assets to enhance the functionality of the Group's ISD system monitoring process with the use of refined video analysis technique (Details refer to the Company's announcement dated 18 March 2012).

The fair values of identifiable assets of the acquiree as at the date of acquisition were:

	HK$'000	*HK$'000*
Intangible Assets		116,708
The fair value of consideration transfer:		
Cash	57,055	
32,353,756 Consideration Shares	59,653	116,708

Anxin Mate Acquisition does not meet the definition of a business, therefore, the above acquisition is deemed as acquisition of assets.

(c) Pursuant to the agreement dated 6 July 2012, the Group agreed to acquire the entire equity interest of Tech Praise Limited and its subsidiaries (collectively referred to "Tech Praise Group") ("Tech Praise Acquisition"), together with the loan amounting to HK$6,380,000 due from Tech Praise Limited to its shareholder (details are set out in the Company's announcement dated 6 July 2012).

The Acquisition was completed on 17 August 2012 involving an aggregate consideration of HK$300,000,000 to be satisfied by the issuance of 203,114,421 shares of the Company in five tranches ("Consideration Shares") in following manner:

(i) The 1st tranche, initially being HK$45,000,000 of Consideration Shares issued on the Completion Date, which is subject to the amount of net assets of Jilin Yingke being no less than HK$45,000,000;

(ii) The 2nd tranche, initially being the result of subtracting the 1st tranche from HK$90,000,000 of Consideration Shares. Further, it is also subject to the profit guarantee of HK$36,000,000 of Tech Praise Group for the nine months ended 30 September 2012;

(iii) The 3rd tranche, initially being HK$60,000,000 of Consideration Shares, which is subject to the profit guarantee of HK$60,000,000 of Tech Praise Group for the year ended 31 December 2012;

(iv) The 4th tranche, initially being HK$75,000,000 of Consideration Shares, which is subject to the profit guarantee of HK$39,000,000 of Tech Praise for the six months ended 30 June 2013; and

(v) The 5th tranche, initially being HK$75,000,000 of Consideration Shares, which is subject to the profit guarantee of HK$78,000,000 of Tech Praise Group for the year ending 31 December 2013.

In case that the profit guarantees could not be met, the vendor shall indemnify the Company the Compensated Amount as calculated below:

For the 2012 profit guarantee stated in above points (ii) and (iii),
(2012 Profit Guarantee – 2012 Actual Profit) x Price-to-earnings ratio of 2.5 times

For the 2013 profit guarantee stated in above points (iv) and (v),
(2013 Profit Guarantee – 2013 Actual Profit) x Price-to-earnings ratio of 1.92 times

The directors of the Company are of the opinion that the 2012 and 2013 Profit Guarantee is achievable and no adjustment to the contingent consideration is considered necessary.

Tech Praise Limited is a company incorporated in the British Virgin Islands, which holds Win Technology Investments Co., Limited and Jilin Province Yingke Information Technology Limited ("Jilin YingKe") incorporated in Hong Kong and the PRC respectively. Jilin Yingke's principal activity is engaged in design and development of remote surveillance information system, and provision of system technical services in the PRC. The purpose of the acquisition is to expand the Group's business in the PRC.

The Company has issued 1st and 2nd tranches of 30,467,163 and 30,467,163 shares on 9 August 2012 and 21 November 2012 respectively as a result of both conditions being met during the year ended 31 December 2012.

The fair value of separate identifiable assets and liabilities of the acquiree, excluding the shareholder's loan of HK$6,380,000, as at the date of acquisition was:

	HK$'000	HK$'000
Property, plant and equipment	14,285	
Service contracts	270,959	
Inventories	132	
Trade and other receivables *(note i)*	24,565	
Cash	1,543	
Trade and other payables	(9,420)	
Deferred tax liabilities recognised upon fair value adjustments	(46,991)	
		255,073
The provisional fair value of consideration transfer:		
Contingent consideration:		
Consideration shares		337,170
Goodwill *(note ii)*		82,097

Note:

(i) The fair value of trade and other receivables amounted to HK$24,565,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(ii) The goodwill of HK$82,097,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing ISD system operations of the Group.

Since the acquisition date on 17 August 2012, Tech Praise Group has contributed HK$54,626,000 and HK$43,431,000 to the Group's revenue and profit for the year ended 31 December 2012. If the acquisition had occurred on 1 January 2012, the Group's revenue and profit would have been HK$82,725,000 and HK$67,336,000 respectively. The acquisition-related costs of HK$182,000 have been expensed and are included in administrative expenses.

20. COMPARATIVE FIGURES

Equity-settled share-based payment expenses of approximately HK$25,289,000 incurred for sales and marketing purpose included in administrative expenses in prior year has been reclassified to selling and distribution costs to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Evolving attitude of Chinese people

Marching into 2012, the financial crisis continued to impact the global economic system. The EU faced daunting challenges as economic growth in many corners of the world ground to a virtual standstill. Fortunately, thanks in large part to the stimulus package introduced by the PRC central government, China's economy braved through the crisis and became a much welcomed bright spot in the global economy. In 2012, China's GDP grew 7.8%. The growth in China's economy has increased the per capita income and at the same time, accelerated the historic urbanization process. As the citizenry's income and quality of life improves, living styles also are changing. Therefore, the general public began paying more attention to problems in daily life, such as food quality, work safety, public security, environmental pollution and social stability.

12th Five-Year Plan and No.114 document boosts ISD business development

Under the 12th Five-Year Plan, the central government emphasized its determination to strengthen industrial safety supervision and improve the country's emergency rescue capability. The State Administration of Work Safety (SAWS) stressed in the No.114 document issued in September 2012 that by end-2015, SAWS's target is to complete the Monitoring System for China's large and medium-sized firms at both the provincial and city levels. In addition, the "China Work Safety 12-5 Plan" was officially launched in October 2011. SAWS's chief engineer, Mr. Huang Yi, pointed out during a public briefing that within the 12-5 Plan, at least 625 billion RMB will be invested into Work Safety area.

"Smart Cities" and "Beautiful China" trends are beneficial to ISS business development

Currently, China is undergoing a transformational campaign from "Safe Cities" to "Smart Cities". Initial development of the existing public safety system cannot satisfy the comprehensive, dynamic and increasingly complex needs of ever-evolving urban safety and monitoring systems. The new generation of highly intelligent public safety systems has the capability to assist authorities in completing their tasks successfully and effectively. The Group leveraged on two acquisitions in 2012 — Yu Hong Group and Anxin Mate Holdings Ltd — to further facilitate the strategy of implementing a "Smart Cities" system (which we call "ISS"), alongside our goal of firmly establishing our Group's brand within the Intelligent Video Analysis and Smart Video Monitoring industries.

The PRC government's macro strategy is beneficial to the Group's development. We believe that based on the current ISD business penetration rate and competition status, the Group's ISD business will continue to maintain its current gross profit margins and net profit margins. At the same time, value-added skills obtained through the upgrading of ISS products will allow us to increase these products' market competitiveness, and realize higher gross and net profit margins compared to our peers.

With the PRC government's growing emphasis on work safety and public safety, leveraging on the Group's proprietary ISD business and future ISS business which may bring huge returns, The Group is confident to say, "Anxin-China, your safety is our business".

Business Review – Business Segments

The Group positions itself as the leading industrial and public safety integrated solutions provider & operator in China. Our business can be classified into two categories: i) ISD (Intelligent Surveillance, Disaster alert and Rescue Coordination Systems) and ii) ISS (Intelligent Safety System).

ISD business

ISD stands for "Intelligent Surveillance, Disaster Alert and Rescue Coordination." ISD systems are unique in China. They help realize government efforts to make industrial production safer and help minimize or eliminate workplace hazards in industries involving chemicals, inflammables and explosive materials, along with toxic substances, dangerous mining venues and other higher-risk undertakings. All these can be coordinated via real-time remote monitoring, emergency rescue coordination and emergency decision support systems. (Example: Figure 1). ISD system consolidates the self-installed sensor data from majority of enterprises, tracks origins of peril and analyzes data then sends the results to the government monitoring centers. This enables the government to manage real-time, efficient monitoring of origins of peril with in its jurisdiction, and will thus reduce the possibility of accidents occurring at enterprises/higher risk worksites. In addition, the system also stores government emergency plans and is equipped with complete command and control systems to prompt monitoring centers to execute efficient emergency rescue work in case of sudden incidents. This will minimize the casualty and damages otherwise likely to arise from such incidents.

State Administration of Work Safety highlighted 31 categories in the National Census of Major Hazards and Anxin-China's ISD system can be utilized in 11 different categories including coal mines, non-coal underground mines, open-pit mines, construction sites, storage areas, petrol stations, storage tank areas, LPG stations, tailing ponds, dangerous goods operation facilities and terminals for hazmats.

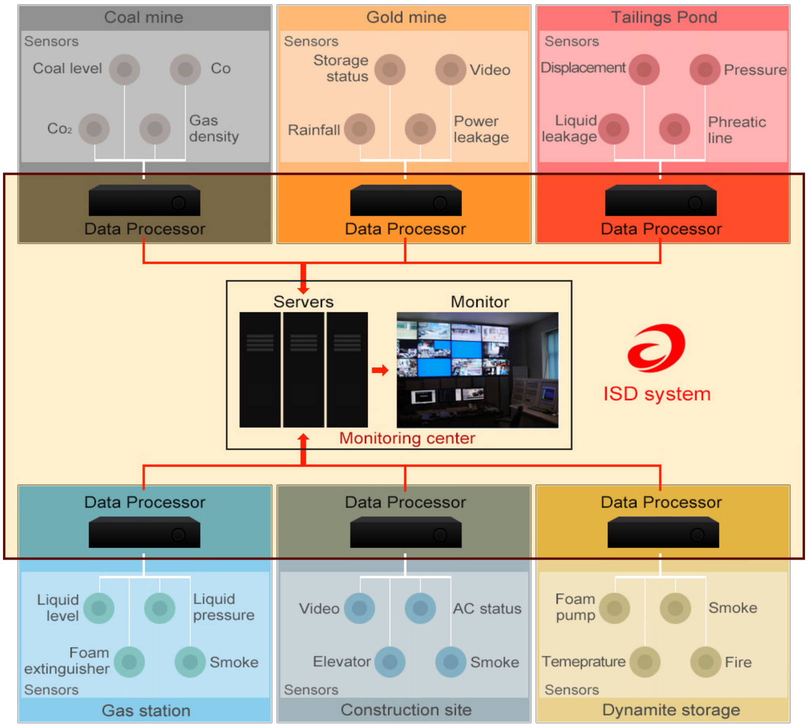

Figure One: ISD System Schematic Diagram

For the 12 months under review, the Group's ISD business segment continued to achieve impressive results.

The Group's ISD business segment added seven new monitoring centers in Hunan, Jilin Hubei and Yunnan provinces during the year. There was an increase of 10,800 monitoring sites in existing and newly tapped monitoring cities. As of 31 December 2012, the Group had established 36 ISD monitoring centers and 23,388 surveillance points across 10 provinces and 34 cities and counties.

In May 2012, the Group entered into a framework agreement with the Production Safety Committee Office of the government of Chongqing City, China, in which the Company agreed to establish ISD systems in Chongqing City. Pursuant to the agreement, the Company will establish a monitoring center for the purpose of monitoring the industrial safety of industrial enterprises in Chongqing City in accordance with the requirements of the Production Safety Committee Office of the government of Chongqing City, China. The entire project is expected to be completed by 31 December 2015.

ISS Business Segment

Intelligent Safety System or ISS refers to an intelligent safety system that differs from traditional safety systems. Traditional safety systems are passive and can only collect and disseminate data over to staffs. This results in staffs having to face a copious volume of redundant and invalid information in their daily work. Anxin-China's intelligent safety system can filter a large number of redundant and invalid information according to one's needs and pass only meaningful information to staff. It greatly improves work efficiency of safety systems. At the same time, according to different levels of intelligence required, ISS systems can also predict in advance if an event is likely to transpire. This can effectively control the public space and workplace hazards to ensure safety for all. ISS systems include intelligent software, hardware and other related equipment such as smart cameras, smart DVRs/NVRs, smart sensors, intelligent video analysis systems, etc.

Traditional public safety equipment has been widely used in many areas such as traffic management, financial security, property management and safe city settings. However, the huge amount of data collected also restricts these devices' ability to perform defensive duties effectively and act more as means of simply providing evidence for management after incidents take place. As a result, the demand for ISS technology is growing rapidly and we believe that in the near future, ISS will be a comprehensive alternative to existing traditional safety devices and become an effective tool in urban management.

ISS will be one of the two key businesses to the Group in the future

The Group completed in 2012 the acquisition of Yu Hong Investments Ltd and its wholly-owned subsidiary Shenzhen Hawell Advanced Technology Co., Ltd. ("Shenzhen Hawell") Shenzhen Hawell is principally engaged in the design, development, production and distribution of security and protection products such as DVRs, NVRs, surveillance cameras and relevant accessories for monitoring systems.

In March 2012, the Group — together with Mango D.S.P. Ltd ("Mango"), Infinity Group and Mate Intelligent Video 2009 Ltd — entered into a Share Purchase and Services Agreement to acquire the entire stake in target company Anxin Mate Holdings Ltd ("Anxin Mate"). Anxin Mate is engaged in the research of advanced intelligent video analysis algorithms and software. Their algorithm capability has a stellar reputation in the industry.

The Group believes that both strategic acquisitions can be integrated together, resulting in significant synergies. To date, the Group has several high-technology capabilities including top-notch face recognition technology and intelligent scenario analysis algorithm, which can be integrated into Shenzhen Hawell's CCTV systems to create a new generation of intelligent safety systems. This is all part of Anxin-China's strategic planning.

For the 12 months under review, the Group has worked hard to digest and absorb the synergistic effects of both acquisitions. In November 2012, at the China Hi-Tech Fair, the Group demonstrated world class intelligent video analysis technology and has initiated discussions and trial tests with several city-level governments. The trial results have been satisfactory to date. The Group anticipates that by the first half of 2013, the trial works for ISS business will have been completed and management can explore refining its overall business model. The second half may see the Group promoting ISS business on a full-scale basis and as a result, the performance in the second half of this year may reflect these efforts.

Business Review – Research & Products

During the year under review, the Group was determined to enhance its technical content and specialized in the development of new products. In order to enhance the Group's competitiveness in the industry, 9% of the Group's annual revenue has been set aside to invest in research and development.

In 2012, the Group successfully developed a new generation of data processors and continues to devote energy to previous ISD software to improve the efficiency levels of monitoring. We aggressively promote upgraded versions to existing customers and have so far obtained positive feedback. At the same time, the Group is also managing technical preparations of real-time monitoring systems for the future development of the environmental protection industry. It is also proactively conducting a feasibility study on monitoring software embedded on mobile devices.

Currently, the Group's R & D department has a total of more than 80 professionals. During the year under review, the Group — following the acquisition of Anxin Mate Holdings Ltd — obtained advanced and stable video analysis capabilities. At the same time, the Group increased its intellectual property arsenal, including "Method of generating an index of the text of a video image sequence"; "Method of selecting key-frames from a video sequence". In addition, the Group also obtained the pending patent of the approach and system to pair objects or people in two or more images, algorithms and software for both remote device and large server arrays, and many other software and know-hows.

As at December 31, 2012, the Group had accumulated 14 patents with two more patents pending, 35 software copyrights and 37 software products registered.

The Group believes that these patents will assist us to build up a reserve of high-tech products to meet huge ISD market demand in industrial safety and environmental monitoring, while making full preparations to penetrate the borderless ISS systems market in regarding public safety.

FINANCIAL REVIEW AND ANALYSIS

Consolidated Turnover and Gross Profit

For the year ended 31 December 2012, the Group's consolidated turnover was approximately HK$849,730,000 (2011: HK$598,172,000), an increase of approximately 42%. The gross profit within the year was HK$716,955,000. (2011: HK$536,483,000), an increase of approximately 34%. The increase in the consolidated turnover and gross profit was due primarily to the jump in income from the increase in surveillance points under coverage.

Other Revenue

Other revenue increased from HK$48,368,000 in FY2011 to HK$97,278,000 in FY2012. This refers mainly to refund of value-added tax, interest income from bank deposit, subsidy income etc. During the year under review, the value of the refund of value-added tax was approximately HK$84,876,000 (2011: HK$41,723,000).

Other Gains and Losses

Other gains and losses refer to the compensation gains arising from acquisition of Yu Hong Group, reversal of impairment loss on trade receivables, fair value changes on contingent consideration shares etc. During the year under review, the other gains and losses amounted to a gain of HK$46,049,000 (2011: Loss of HK$22,315,000). The change during the year under review period, was due mainly to the compensation gain arising from the acquisition of Yu Hong Group, which amounted to HK$61,490,000 and loss on the fair value change of contingent consideration shares from the acquisition of Tech Praise Group, which amounted to HK$33,209,000.

Selling and Distribution Costs

Selling and distribution costs increased from HK$65,452,000 in FY2011 to HK$116,814,000 in FY2012. The increase is due primarily to the Group's distribution partners share options being expensed over the vesting period and the first tranche equity settled share-based payment to the Group's consulting company (Infinity Group). The expenses relating to the share options in 2012 amounted to HK$61,112,000, compared to HK$25,289,000 in 2011. The first tranche equity settled share-based payment in relation to Service Agreement signed on 17 March 2012 amounted to HK$28,795,000 (2011: Nil).

Administrative Expenses

For the year ended 31 December 2012, the Group's general and administrative expenses were approximately HK$45,041,000 (2011: HK$31,028,000), accounting for 5.30% of the Group's turnover (2011: 5.19%).

This refers mainly to the share option expenses arising from the staff share-based remuneration, staff salaries, office rental etc. The share option expenses in FY2012 amounted to approximately HK$9,280,000 (FY2011: Nil).

Income Tax Expense

The Group and its group entities established in the British Virgin Islands are tax-exempt.

Hong Kong profits tax is calculated at 16.5% (2011: 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 (2011: 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.

Pursuant to an approval document issued by the Tax Bureau of Shenzhen, Guangdong Province, the Company's subsidiaries, Shenzhen Anxin Digital Development Co., Limited ("Shenzhen Anxin") and Shenzhen Hawell Advanced Technology Co., Ltd. ("Shenzhen Hawell") qualified as high-tech enterprises and are entitled to a preferential enterprise income tax rate of 15% for the three years from 2011 to 2013 and from 2012 to 2014, respectively.

Pursuant to an approval document issued by the Tax Bureau of Hongze, Jiangsu Province, the Company's subsidiary, Jiangsu Hongxin Intelligence Technology Co., Limited ("Jiangsu Hongxin") qualified 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.

Pursuant to an approval document issued by the Tax Bureau of Yanji, Jilin Province, the Company's subsidiary, Jilin Province Yingke Information Technology Co., Ltd. ("Jilin Yingke") qualified as a software-producing enterprise and is entitled to EIT exemption for the years 2011 and 2012 and a 50% reduction in EIT for the years from 2013 to 2015.

Other subsidiaries, which were established and operate in the PRC, are subject to EIT at a standard rate of 25% (2011: 25%).

Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company for the current financial year was approximately HK$547,872,000 (2011: HK$404,220,000), an increase of approximately 36%.

The driving force behind the increase in income came from revenue, other incomes and other gains.

Earnings Per Share

The basic and diluted earnings per share for the year was HK20 cents (2011: HK16.37 cents) and HK19.89 cents (2011: HK15.35 cents) respectively.

Liquidity and Financial Resources and Gearing ratio

The Group working capital requirement was funded primarily by cashflow and cash from operating activities. As at 31 December 2012, the Group had cash and cash equivalents amounting to approximately HK$1,580,697,000. (2011: HK$1,077,795,00)

For the year ended 31 December 2012, the net cash inflow from operating activities amounted to approximately HK$618,399,000 (2011: HK$336,238,000). The increase was due to the increase in turnover.

As at 31 December 2012, the Group does not have any bank borrowing (2011: Nil). Up to 31 December 2012, the Group's gearing ratio is 16.5% (2011: 3%), and the current ratio stands at 4x (2011: 21x). The raise of gearing ratio and the drop in current ratio was due to the increase in financial liabilities under the current liabilities. As part of the consideration for the acquisition of Tech Praise Group, the remaining not issued were re-measured to fair value and classified as financial liabilities in the consolidated statement of financial position. This increase the financial liabilities to HK$270,142,000 (2011: Nil). The Group maintains a net cash position, which reflects its stable financial position to cater to its future expansion.

Share Capital

During the year under review, shares were issued for acquisition of subsidiaries together with exercise of warrants and share options.

Employee Information

As at 31 December 2012, the Group employed a total of 516 employees (2011: 201). 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$33,489,000 (2011: HK$14,430,000).

Share Option Scheme

The Company adopted a share option scheme as an incentive to selected participants. During the year, 158,820,000 share options have been granted, 37,000,000 options have been exercised, no option has been cancelled or lapsed during the year. There are 158,820,000 options outstanding under the Scheme.

Charge on Group Assets

As at 31 December 2012, the Group did not have any charges on its assets.

Expected Sources of Funding

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.

Capital Commitments

The Group did not have any capital commitments that were contracted for as at 31 December 2012.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2012.

Foreign exchange risk

The Group carried out its activities in China and majority of its transactions were settled in RMB. The Group's assets and liabilities as well as its transactions from operating activities are denominated in RMB. As a result, the Group believes it does not have foreign exchange risk which will materially affect its business. The Group does not use any long term contract or currency swap to hedge the foreign exchange risk. However, the management will continue to monitor the foreign currency risk and take appropriate and cautious measures.

Significant Investments and Acquisitions

On 14 November 2011, the Group entered an agreement for the acquisition of Yu Hong Holdings Limited and its subsidiaries (collectively referred to "Yu Hong Group") at an aggregate consideration of HK$315,000,000, together with the loan of HK$13,005,000 due to its shareholder. Among which, HK$126,000,000 shall be satisfied by cash and the balance of HK$189,000,000 by way of promissory note issued by the Company. After two supplemental agreements, the remaining cash payment and promissory note are subject to Yu Hong Group's profit guarantee for the year ended 31 December 2012 of HK$90,000,000. As at 31 December 2012, Yu Hong Group financial performance did not meet the above profit guarantee. As a result, HK$101,490,000 was deducted from the promissory note.

On 17 March 2012, the Group signed a Share Purchase and Service Agreement (Collectively "Agreement"). According to the Agreement, the Group will become the sole owner of a series of intellectual property and Infinity Group will assist the Group in expanding and developing markets for ISD platforms in three cities in the PRC within three years from the completion date of the acquisition of the series of intellectual property. The aggregate consideration of the Agreement is US$29,841,000 (equivalent to HK$231,927,000). The consideration of the Share Purchase in relation to the series of intellectual property is US$14,841,000 (equivalent to HK$115,346,000), of which (i) US$7,341,000 (equivalent to HK$57,055,000) shall be satisfied by cash; and (ii) US$7,500,000 (equivalent to HK$58,291,000) shall be satisfied by the Company's allotment and issuance of a Consideration Shares of 32,353,756. The consideration of the Services is US$15,000,000 (equivalent to HK$116,581,000) which shall be satisfied by the Company's allotment and issuance of 3 Tranches Consideration Shares with 21,569,171 shares each. The consideration of the share be allotted and issued to Infinity Group within three years after completion upon the happening of milestones of the Services. As at 31 December 2012, the Group has issued 32,353,756 new shares and paid US$7,341,000 (equivalent to HK$57,055,000) in cash to the Vendor for the acquisition of the series of intellectual property.

On 6 July 2012, the Group agreed to acquire the entire equity interest of Tech Praise Limited and its subsidiaries (collectively referred to "Tech Praise Group"), for a consideration of HK$300,000,000, together with the loan amounting to HK$6,380,000 due from Tech Praise Limited to its shareholder. The consideration will be satisfied by the issuance of shares at HK$1.477 to the seller with the maximum issuance of 203,114,421 shares. As at 31 December 2012, the Group has already issued 60,934,326 shares to the seller.

Prospects

European debt crisis continued as the economic growth in developed countries stagnated, adding more uncertainty to the global economy. China's 2012 GDP growth was 7.8%, slightly lower than in 2011. The Group remains concerned about the challenges of the global economy. Hence, we remain prudent in planning business development. But we also believe that China's economic fundamentals remain very strong, and state policy support in the field of work safety and continued investment in the field of public safety with supporting policies, gave us reasons to believe in the bright prospects of the Group.

We believe that, in view of the market penetration of the current ISD business and competition status, the Group's ISD business segment will continue to maintain its existing gross profit margin and net profit margin. At the same time, value-added skills obtained through the upgrading of ISS products will allow us to increase these products' market competitiveness, and realize higher gross and net profit margins compared to our peers. Embracing the mission of "maximizing shareholder value", we strive to continue to maintain a stable dividend policy while pursuing stable gross profit and net profit.

Brand Building

The Group position itself as the leading industrial and public safety integrated solution provider & operator in China. With almost unlimited space to grow, we believe our market share of ISD business will maintain a steady increase in the near future. We have already built up a reputation among the authorities responsible for work safety, and we will never rest on its laurels.

Research and Development for New Products

The Group is actively doing research and development for wide-angle intelligent CCTV cameras with intelligent facial recognition and scenario analysis capabilities as well as internet of things application. Through the development and integration of the above-mentioned technologies, the Group's related products can automatically collect, analyze and deal with public safety-related data and information. At the same time, the Group also actively perfects the existing ISD platform, to further improve the efficiency of the existing system and its completeness. This can assist the government in the field of public safety and environmental protection to achieve the targets of real-time monitoring, early warning provision and rescue coordination. The Group believes that the continuous product research and development is the fundamental basis for us to build up a reserve of high-tech products, in order to meet huge ISD market demand in industrial safety and environmental monitoring, while making full preparations to penetrate the borderless ISS systems market in regarding public safety.

Strategic Acquisition

The Group completed three acquisitions in 2012. Two of which enabled the Group to take a great step forward towards the future intelligent safety system industry. We will continue to explore new acquisitions, investment targets, in order to enhance the Group's technology and strength.

DIVIDENDS

The directors recommended the payment of a final dividend of HK3.6 cents per ordinary share, totaling approximately HK$101,827,000 in respect of the year to shareholders on the register of members on Thursday, 6 June 2013. The proposed final dividend of approximately HK$101,827,000 for the year ended 31 December 2012 is calculated on the basis of 2,828,516,924 ordinary shares in issue at the date of this announcement. The proposed dividend has been approved at the Company's board meeting on 18 March 2013, 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "2013 AGM") will be held at, Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 31 May 2013 at 11:00 a.m. Notice of the 2013 AGM will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 30 May 2013 to Friday, 31 May 2013, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending and voting at the 2013 AGM to be held on 31 May 2013, all transfers of shares accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 May 2013.

For determining the entitlement to the proposed final dividend payable to shareholders of the Company whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 6 June 2013, being the record date for determination of entitlement to the final dividend, the Company's register of members will be closed on Thursday, 6 June 2013. On 6 June 2013, no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5 June 2013. The expected date of payment of the final dividend is Wednesday, 17 July 2013.

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

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 2012.

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's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices (the "Former CG Code") which was subsequently revised as the Corporate Governance Code (the "Revised CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and came into full effect on 1 April 2012.

Throughout the year under review, the Company has complied with most of the Code Provisions of the Former CG Code for the period from 1 January 2012 to 31 March 2012 and of the Revised CG Code for the period from 1 April 2012 to 31 December 2012, 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 Revised CG Code, the roles of the chairman and the chief executive officer ("CEO") should be segregated. However, Mr. Liu Zhongkui currently holds the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

According to the code provision A4.1 of the Revised CG Code, independent non-executive directors should be appointed for a specific term of service. The non-executive Director was appointed for a term of one year and is also subject to the retirement by rotation and re-election at the annual general meeting of the Company at least once for every three years in accordance with the articles of association of the Company. All the independent non-executive Directors were appointed for a term of two years (except for Mr. Cheung Chuen who was not appointed for a specific term), but all are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once for every three years in accordance with 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 Revised 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 Revised CG Code and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

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 year under review, 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 2012.

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 2012 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.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Stock Exchange has recently amended the Listing Rules relating to, *inter alia*, the Code on Corporate Governance Practices (now renamed as Corporate Governance Code and Corporate Governance Report) set out in Appendix 14 of the Listing Rules and the rules pertaining to corporate governance. The Directors accordingly propose to seek the approval of the shareholders at the 2013 AGM to amend the existing memorandum and articles of association of the Company (the "M&A") by way of special resolution to bring the M&A in line with the amended Listing Rules. A circular containing, inter alia, information about the proposed amendments and notice of the 2013 AGM will be dispatched to the shareholders in due course.

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 2012 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, 18 March 2013

Website: www.anxin-china.com.hk

As at the date of this announcement, the executive directors of the Company are Mr. Liu Zhongkui, Mr. Wang Bo, Mr. Lin Supeng and Mr. Yang Ma; the non-executive directors of the Company are Mr. Adiv Baruch and Mr. Wang, John Peter Ben and the independent non-executive directors of the Company are Mr. Cheung Chuen, Mr. Xie Baitang and Mr. Chen Feng.