**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)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

## FINANCIAL HIGHLIGHTS

- The Group delivered a remarkable financial performance for the six months ended 30 June 2013.
- Consolidated turnover of the Group increased by approximately 30% to HK$526 million, as compared to HK$406 million in the previous period. Profit for the period attributable to owners of the Company amounted to HK$422 million (six months ended 30 June 2012: HK$298 million), representing a spectacular period on period increase of approximately 42%.
- Basic earnings per share and diluted earnings per share amounted to HK14.74 cents (six months ended 30 June 2012: HK11.05 cents) and HK14.06 cents (six months ended 30 June 2012: HK11.04 cents) respectively.
- Net cash inflow generated from operations amounted to HK$342 million (six months ended 30 June 2012: HK$212 million).
- The Board declared the payment of an interim dividend of HK1.4 cents per share for the six months ended 30 June 2013.

The board of directors (the "Board") of Anxin-China Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with comparative figures for the corresponding period in 2012.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2013*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *5* | **526,115** | 405,937 |
| Cost of sales | | **(70,487)** | (42,488) |
| Gross profit | | **455,628** | 363,449 |
| Other revenue | | **37,512** | 60,698 |
| Other gains and (losses) | *6* | **2,098** | 22,025 |
| Selling and distribution costs | | **(27,715)** | (74,279) |
| Administrative expenses | | **(24,608)** | (26,186) |
| Research and development expenses | | **(13,518)** | (6,055) |
| Finance costs | | **(4,310)** | (1,386) |
| Profit before income tax expense | *7* | **425,087** | 338,266 |
| Income tax expense | *8* | **(3,091)** | (40,740) |
| Profit for the period | | **421,996** | 297,526 |
| Profit for the period attributable to: | | | |
| – Owners of the Company | | **421,996** | 297,573 |
| – Non-controlling interests | | **–** | (47) |
| | | **421,996** | 297,526 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| – Exchange differences on translation of foreign operations | | **59,858** | (24,450) |
| Total comprehensive income for the period | | **481,854** | 273,076 |
| Total comprehensive income for the period attributable to: | | | |
| – Owners of the Company | | **481,854** | 273,125 |
| – Non-controlling interests | | **–** | (49) |
| | | **481,854** | 273,076 |
| EARNINGS PER SHARE | *9* | | |
| – Basic *(HK cents)* | | **14.74** | 11.05 |
| – Diluted *(HK cents)* | | **14.06** | 11.04 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2013*

| | Notes | As at 30 June 2013 (Unaudited) HK$'000 | As at 31 December 2012 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **135,958** | 135,051 |
| Goodwill | *11* | **1,308,432** | 1,296,803 |
| Other intangible assets | | **642,295** | 651,770 |
| Deferred tax assets | | **1,077** | 1,659 |
| Total non-current assets | | **2,087,762** | 2,085,283 |
| **Current assets** | | | |
| Inventories | | **24,859** | 19,353 |
| Trade and other receivables | *12* | **550,620** | 378,256 |
| Restricted bank deposits | | **1,708** | 18,500 |
| Cash and cash equivalents | | **1,964,395** | 1,580,697 |
| Total current assets | | **2,541,582** | 1,996,806 |
| **Total assets** | | **4,629,344** | 4,082,089 |
| **Current liabilities** | | | |
| Trade and other payables | *13* | **342,767** | 163,796 |
| Contingent consideration shares | *14* | **191,943** | 270,142 |
| Promissory note | *15* | **82,968** | – |
| Current tax liabilities | | **2,106** | 59,061 |
| Total current liabilities | | **619,784** | 492,999 |
| **Net current assets** | | **1,921,798** | 1,503,807 |
| **Total assets less current liabilities** | | **4,009,560** | 3,589,090 |
| Non-current liabilities | | | |
| Promissory note | *15* | **–** | 78,658 |
| Deferred tax liabilities | | **96,308** | 100,570 |
| Total non-current liabilities | | **96,308** | 179,228 |
| **Total liabilities** | | **716,092** | 672,227 |
| **NET ASSETS** | | **3,913,252** | 3,409,862 |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | *16* | **288,149** | 282,616 |
| Reserves | | **3,625,103** | 3,127,246 |
| **TOTAL EQUITY** | | **3,913,252** | 3,409,862 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2013*

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| NET CASH FROM OPERATING ACTIVITIES | **342,369** | 211,777 |
| NET CASH USED IN INVESTING ACTIVITIES | **(13,555)** | (86,901) |
| NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES | **28,216** | (51,187) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **357,030** | 73,689 |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | **1,580,697** | 1,077,795 |
| Effect of exchange rate changes on cash and cash equivalents | **26,668** | (9,979) |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | **1,964,395** | 1,141,505 |
| Analysis of the balance of cash and cash equivalents cash and bank balances | **1,964,395** | 1,141,505 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2013*

## 1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of system hardware and application software for installation of Intelligent Surveillance Disaster Alert & Rescue Coordination ("ISD") Systems and Intelligent Safety Systems ("ISS"), provision of system solutions services and the design, development, production and distribution of security and protection products, surveillance cameras and Closed Circuit Television ("CCTV") products.

These condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of Anxin-China Holdings Limited and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 (the "Interim Financial Information") have been prepared in accordance with applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the Interim Financial Information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Information includes selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2012. The Interim Financial Information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA. HKFRSs include all applicable HKFRSs, HKASs and related interpretations and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012.

## 3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information has been prepared on the historical cost basis except for the valuation of certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those adopted in the annual financial statements for the year ended 31 December 2012.

The Group has adopted all new and revised HKFRSs that are relevant to the Group and are effective for accounting periods beginning on 1 January 2013. The adoption of new and revised HKFRSs has no material effect on the Interim Financial Information except as follows:

**Amendments to HKAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the Interim Financial Information has been modified accordingly.

**Amendments to HKFRS 10 – Consolidated Financial Statements**

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 January 2013.

**Amendments to HKFRS 13 – Fair Value Measurement**

The adoption of HKFRS 13 did not result in a change in the accounting policy relating to fair value measurement. HKFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. In accordance with HKFRS 13, some of the disclosures for financial instruments required for annual financial statements are included in note 14 to these unaudited condensed consolidated financial statements.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Financial instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HK(IFRIC) Interpretation 21 | Levies[1] |
| HKFRS 9 | Financial Instruments – classification of financial assets and financial liabilities[2] |

1 *Effective for annual periods beginning on or after 1 January 2014*

2 *Effective for annual periods beginning on or after 1 January 2015*

The Group is in the process of making an assessment of the potential impact of these new HKFRSs and the directors anticipate that the application of these new and revised HKFRSs will have no material impact on the results and financial position of the Group.

**4. SEGMENT INFORMATION**

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.

The Group has two reportable segments and is managed separately as each business 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 content in a coal mine, oil pressure in an oil depot, etc, are transmitted from industrial enterprises to the Local Government Monitoring Center. The Group's revenue from this segment is primarily derived from 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, primary hardware and equipment, such as surveillance cameras, CCTV products and sensors, to enterprises/governments for the purpose of ensuring industrial/public 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.

Segment information for the period is set out below:

| | **ISD system segment Six months ended 30 June** | | **ISS segment Six months ended 30 June** | | **Elimination Six months ended 30 June** | | **Total Six months ended 30 June** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue from external customers | **513,741** | 379,698 | **12,374** | 26,239 | **–** | – | **526,115** | 405,937 |
| Inter-segment sales | **–** | – | **–** | 1,148 | **–** | (1,148) | **–** | – |
| Total | **513,741** | 379,698 | **12,374** | 27,387 | **–** | (1,148) | **526,115** | 405,937 |
| Segment profits or losses | **455,734** | 348,821 | **(30,973)** | 434 | **–** | (116) | **424,761** | 349,139 |
| Depreciation and amortisation | **(42,402)** | (19,185) | **(13,101)** | (6,237) | **–** | – | **(55,503)** | (25,422) |
| Impairment loss on goodwill | **–** | – | **(9,111)** | – | **–** | – | **(9,111)** | – |

Reconciliations of reportable segment profit or loss:

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Segment profit | **424,761** | 349,139 |
| Other revenue | **286** | 74 |
| Other gains and (losses) | **9,953** | – |
| Exchange gain/(loss), net | **2,088** | (1,938) |
| Finance costs | **(4,310)** | (1,386) |
| Unallocated corporate expenses | **(7,691)** | (7,623) |
| Consolidated profit before income tax expense | **425,087** | 338,266 |

**Geographical Information**

The directors of the Group consider that the Group's condensed consolidated revenue and substantially all of its condensed consolidated results are attributable to the market in the PRC. The Group's condensed consolidated non-current assets are substantially located in the PRC. Accordingly, no geographical information is presented.

**Information about major customers**

For the six months ended 30 June 2013, 2 customers of the ISD system segment had sales of HK$166,145,000 and HK$86,973,000 respectively each of which contributed to more than 10% of the Group's revenue.

For the six months ended 30 June 2012, 3 customers of the ISD system segment had sales of HK$74,599,000, HK$70,590,000 and HK$53,047,000 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.

## 6. OTHER GAINS AND (LOSSES)

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Fair value changes on contingent consideration shares *(note 14)* | **9,953** | – |
| Exchange gain/(loss), net | **1,705** | (1,931) |
| Reversal of impairment loss on trade receivables | **–** | 23,956 |
| Gain on disposal of property, plant and equipment | **–** | 37 |
| Impairment loss on goodwill arising from acquisition of Yu Hong Group *(note 11)* | **(9,111)** | – |
| Others | **(449)** | (37) |
| | **2,098** | 22,025 |

## 7. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense has been arrived at after charging (crediting) the following items:

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories recognised as an expense | **14,385** | 16,394 |
| Depreciation of property, plant and equipment | **6,228** | 3,482 |
| Amortisation of intangible assets | **49,275** | 21,940 |
| Interest expense on promissory note *(note 15)* | **4,310** | 1,386 |
| Share-based payment expenses | **27,921** | 79,990 |
| Interest income on bank deposit | **(4,081)** | (2,205) |
| Reversal of impairment loss on trade receivables | **–** | (23,956) |

## 8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current tax – PRC Enterprise Income Tax ("EIT") | | |
| – tax for the period | **8,206** | 40,348 |
| Deferred tax | | |
| – (credit)/charge to profit or loss for the period | **(5,115)** | 392 |
| Income tax expense | **3,091** | 40,740 |

The Company and those subsidiaries established in the British Virgin Islands are exempted from income taxes.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (six months ended 30 June 2012: Nil).

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income of the PRC subsidiaries of the Company is calculated based on the statutory tax rate of 25%, except for certain subsidiaries which are subject to preferential enterprise income tax rates as they qualify for high-tech and/or software producing enterprise.

## 9. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share | | |
| (profit for the period attributable to owners of the Company) | **421,996** | 297,573 |
| Fair value change on contingent consideration shares | **(9,445)** | – |
| Earnings for the purposes of dilutive earnings per share | **412,551** | 297,573 |

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares (less shares held for share award scheme for the purpose of basic earnings per share) | **2,863,838** | 2,692,541 |
| Effect of dilutive potential ordinary shares: | | |
| – Warrants | **–** | 3,344 |
| – Share options | **19,751** | 22 |
| – Contingent consideration shares | **50,779** | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **2,934,368** | 2,695,907 |

*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 the six months ended 30 June 2013 and 2012.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding $5^{th}$ tranche of contingent consideration shares of 50,778,606 shares in aggregate as the relevant profit conditions have not been satisfied at the end of the reporting period (details on contingent consideration shares, please refer to note 14).

## 10. DIVIDENDS

On 29 August 2013, the Board has declared an interim dividend of HK1.4 cents per share (six months ended 30 June 2012: Nil per share), totalling approximately HK$40,683,000 (six months ended 30 June 2012: Nil) which includes dividends of approximately HK$169,000 (six months ended 30 June 2012: Nil) relating to shares held for share award scheme as set out in note 17. The proposed interim dividend for six months ended 30 June 2013 is calculated based on the number of shares in issue at the date of this report. The proposed dividend is not reflected as a dividend payable in the Interim Financial Information.

## 11. GOODWILL

| | As at 30 June 2013 (Unaudited) *HK$'000* | As at 31 December 2012 (Audited) *HK$'000* |
|---|---|---|
| **Cost** | | |
| Balance at beginning of period/year | **1,304,466** | 1,129,430 |
| Acquisition of subsidiaries | **–** | 201,640 |
| Measurement period adjustment | **–** | (40,000) |
| Exchange adjustments | **20,932** | 13,396 |
| Balance at end of period/year | **1,325,398** | 1,304,466 |
| **Accumulated impairment losses** | | |
| Balance at beginning of period/year | **(7,663)** | – |
| Impairment losses recognised | **(9,111)** | (7,663) |
| Exchange adjustments | **(192)** | – |
| Balance at end of period/year | **(16,966)** | (7,663) |
| Net book value at end of period/year | **1,308,432** | 1,296,803 |
| ISD system business | **1,243,539** | 1,223,900 |
| ISS business | **64,893** | 72,903 |
| Net book value at end of period/year | **1,308,432** | 1,296,803 |

Goodwill is allocated to the cash generating units ("CGU") identified according to different business units. The Group tests CGU to which goodwill is allocated annually for impairment or more frequently if there are indications that goodwill might be impaired. During the six months ended 30 June 2013, the management reviewed that there has been change in business environment for the ISS business. Accordingly, the management revised its cash flow projections of the ISS business to reflect current operating performance and used a discount rate of 19.4% (2012:19.2%). The estimated recoverable amount based on value-in-use calculation was less than the carrying amount which results in recognition of impairment loss on goodwill of HK$9,111,000 for the six months ended 30 June 2013.

## 12. TRADE AND OTHER RECEIVABLES

| | **As at 30 June 2013 (Unaudited)** ***HK$'000*** | As at 31 December 2012 (Audited) *HK$'000* |
|---|---|---|
| Trade receivables | **517,021** | 363,161 |
| Other receivables | **6,360** | 2,454 |
| Amounts due from related companies | **18,226** | 599 |
| Amounts due from directors | **603** | 620 |
| Rental and utility deposits | **3,214** | 3,147 |
| Advance to suppliers | **5,196** | 8,275 |
| | **550,620** | 378,256 |

The amounts due from the related companies and directors are unsecured, interest free and repayable on demand.

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

| | **As at 30 June 2013 (Unaudited)** ***HK$'000*** | As at 31 December 2012 (Audited) *HK$'000* |
|---|---|---|
| Aged: | | |
| Within 0 – 30 days | **202,509** | 137,144 |
| 31 – 60 days | **218,737** | 141,549 |
| 61 – 90 days | **565** | 6,388 |
| 91 – 180 days | **26,040** | 4,587 |
| 181 – 365 days | **49,935** | 73,476 |
| More than 365 days | **19,235** | 17 |
| | **517,021** | 363,161 |

Included within the trade receivables balance at the end of the period, HK$161,290,000 (31 December 2012: HK$94,178,000) is due from the Group's largest customer. There are another five customers (31 December 2012: eight customers) who represent more than 5% of the total balance of trade receivables. These customers have no past history of default.

## 13. TRADE AND OTHER PAYABLES

| | **As at 30 June 2013 (Unaudited) *HK$'000*** | As at 31 December 2012 (Audited) *HK$'000* |
|---|---|---|
| Trade payables | **17,726** | 22,900 |
| Cash consideration *(note a)* | **96,700** | 96,700 |
| Other payables and accruals | **45,780** | 17,957 |
| Other tax payables | **53,724** | 13,568 |
| Amounts due to related parties *(note b)* | **6,363** | 3,870 |
| Advance from customers | **17,918** | 7,092 |
| Dividend payable | **104,556** | 1,709 |
| | **342,767** | 163,796 |

*Note:*

(a) The cash consideration is for the acquisition of Yu Hong Group.

(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:

| | **As at 30 June 2013 (Unaudited)** ***HK$'000*** | As at 31 December 2012 (Audited) *HK$'000* |
|---|---|---|
| Aged: | | |
| Within 0 – 30 days | **4,589** | 8,308 |
| 31 – 60 days | **1,560** | 2,150 |
| 61 – 90 days | **1,221** | 1,904 |
| 91 – 180 days | **263** | 937 |
| 181 – 365 days | **1,503** | 1,087 |
| More than 365 days | **8,590** | 8,514 |
| | **17,726** | 22,900 |

## 14. CONTINGENT CONSIDERATION SHARES

| | **As at 30 June 2013 (Unaudited)** ***HK$'000*** | As at 31 December 2012 (Audited) *HK$'000* |
|---|---|---|
| Balance at beginning of period/year | **270,142** | – |
| Additions from acquisition of subsidiaries | **–** | 337,170 |
| Issue of consideration shares | **(68,246)** | (100,237) |
| Fair value changes on contingent consideration shares | **(9,953)** | 33,209 |
| Balance at end of period/year | **191,943** | 270,142 |

*Note:*

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 1st and 2nd 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 ended 31 December 2012 and 2013, were classified as financial liabilities in the consolidated statement of financial position and re-measured to fair value as at 31 December 2012.

During the six months ended 30 June 2013, consideration shares of 40,622,884 for 3rd tranche of shares were issued and were re-measured to fair value at the date of its issuance. The remaining 101,557,211 shares for 4th and 5th tranche of shares, which were subject to adjustment principally based on Tech Praise Group's profits for the six months ended 30 June 2013 and year ending 31 December 2013, were still classified as financial liabilities in the consolidated statement of financial position and re-measured to fair value at the end of reporting period. A total fair value gain of approximately HK$9,953,000 was recognised in profit or loss accordingly.

The Group followed HKFRS 13 – Fair Value Measurement which introduce a three level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The contingent consideration shares are level 3 measurement. They are measured at fair value based on the share price of the Company and are taken into consideration of whether the profit guarantee of Tech Praise Group is probable to be met. The management of the Group used its internal budgets and forecasts to estimate the relevant profit targets which included information about the fair value measurement using significant unobservable inputs (level 3). There was no transfer between the three levels during the current and prior period.

## 15. PROMISSORY NOTE

| | **As at 30 June 2013 (Unaudited)** ***HK$'000*** | As at 31 December 2012 (Audited) *HK$'000* |
|---|---|---|
| Balance at beginning of period/year | **78,658** | – |
| Issuance for acquisition of subsidiaries | **–** | 173,822 |
| Compensation gain arising from profit guarantee | **–** | (101,490) |
| Imputed interest recognised during the period/year | **4,310** | 6,326 |
| Carrying amount at the end of the period/year | **82,968** | 78,658 |

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 term and will be matured on 10 January 2014. The Promissory Note was classified as current liabilities as at 30 June 2013 and carried at amortised cost until extinguished on redemption.

## 16. SHARE CAPITAL

| | **As at 30 June 2013 (Unaudited)** ***HK$'000*** | As at 31 December 2012 (Audited) *HK$'000* |
|---|---|---|
| Authorised: | | |
| 8,000,000,000 (31 December 2012: 4,000,000,000 ordinary shares) ordinary shares of HK$0.1 each *(note a)* | **800,000** | 400,000 |
| Issued and fully paid: | | |
| 2,881,488,000 ordinary shares of HK$0.1 each (31 December 2012: 2,826,161,000 ordinary shares) | **288,149** | 282,616 |

The movements in the issued share capital of the Company during the year/period were as follows:

| | **Number of shares** *'000* | **Share capital** *HK$'000* |
|---|---|---|
| Ordinary shares of HK$0.1 each | | |
| As at 1 January 2012 (audited) | 2,680,873 | 268,087 |
| Issue of shares on exercise of warrants | 15,000 | 1,500 |
| Issue of shares on exercise of share options | 37,000 | 3,700 |
| Issue of new shares | 93,288 | 9,329 |
| As at 31 December 2012 (audited) | 2,826,161 | 282,616 |
| Issue of shares on exercise of share options *(note b)* | 16,904 | 1,691 |
| Purchase of own shares for cancellation *(note c)* | (2,200) | (220) |
| Issue of new shares *(note d)* | 40,623 | 4,062 |
| As at 30 June 2013 (unaudited) | 2,881,488 | 288,149 |

*Note:*

(a) By an ordinary resolution passed on 31 May 2013, the authorised share capital of the Company was increased from HK$400,000,000 divided into 4,000,000,000 ordinary shares of HK$0.1 each to HK$800,000,000 by the creation of a further 4,000,000,000 ordinary shares of HK$0.1 each. All new shares rank pari passu in all respects with the then existing shares of the Company.

(b) On 24 January 2013, 15 February 2013, 20 March 2013, 27 May 2013, 18 June 2013 and 26 June 2013, a total of 1,576,000, 780,000, 780,000, 1,230,000, 5,402,000 and 7,136,000 share options were exercised at a subscription price of HK$1.5 per share, resulting in the issue of 16,904,000 ordinary shares of HK$0.1 each.

(c) Pursuant to the repurchase mandate granted to the Company, the directors are allowed to repurchase ordinary shares of the Company not exceeding 10% of the issued share capital of the Company. Up to 30 June 2013, the Company repurchased a total of 2,200,000 of its own shares.

(d) On 22 March 2013, a total of 40,622,884 shares being 3rd tranche of consideration shares for the acquisition of Tech Praise Group were issued (details on contingent consideration shares, please refer to note 14).

## 17. SHARES HELD FOR SHARE AWARD SCHEME

Pursuant to an announcement dated 9 April 2013, the Company adopted a share award scheme (the "Scheme") under which shares of the Company may be awarded to eligible employees in accordance with its provisions. The Scheme operates for 10 years from 8 April 2013.

A trustee has been appointed and the Company may provide contributed amount to the trustee from time to time for the purpose of purchasing, administrating and holding the Company's shares for the Scheme. The Company shall not make any further award of shares which result in the aggregate nominal value of the shares awarded by the Company under the Scheme exceeding 10% of the issued share capital of the Company shares at the time of such award. Dividend receivable relating to award shares held by the trustee before the award shares are vested with eligible employees is treated as income of the trust fund. No award shares were granted by the Company to employees during the six months ended 30 June 2013.

Movement in the number of shares held under the Scheme is as follows:

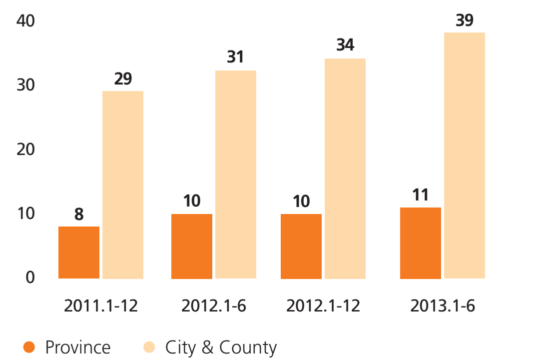
| | **Number of shares held** | **Amounts** |
|---|---|---|
| | *'000* | *HK$'000* |
| As beginning of period | – | – |
| Purchased | 12,076 | 19,815 |
| Vested | – | – |
| As at 30 June 2013 (unaudited) | 12,076 | 19,815 |

## BUSINESS REVIEW

### ISD System Business Segment

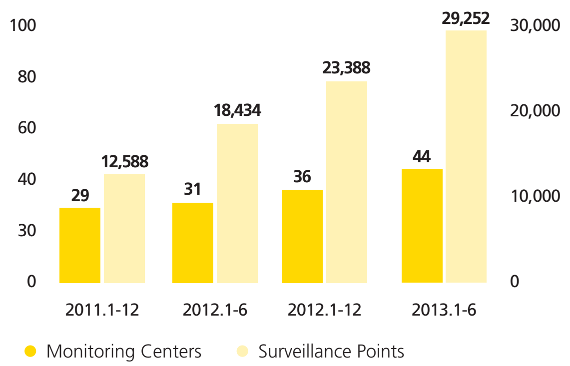
During the period, the Group added eight monitoring centers and 5,864 surveillance points which brings the total to 44 monitoring centers and 29,252 surveillance points, respectively, as at 30 June 2013. The Group has expanded its geographical reach to 11 provinces and 39 cities/counties in China.

**Geographical Reach**




*Note:* City & County does not include districts governed by cities.

**Monitoring Centers and Points**




*Note:* Monitoring Centers included all kinds of centers established in Province/City/County

**What is ISD system?**

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

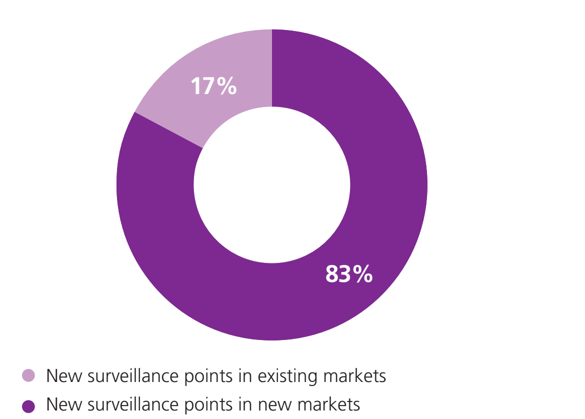
The Local Government Monitoring Center monitors such information and data on a real-time basis. Should any parameter exceed the pre-set safety limit, the system automatically sends out warning signals and rescue information to different interested parties, including the responsible person of the enterprise,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

Safety monitoring was initially introduced to the coal mining industry, and then to all industries considered high-risk. Accordingly, the monitoring department has evolved from the Administration of Coal Mine Safety to the State Administration of Work Safety (SAWS). To exert its hold on the market pulse, Anxin-China has invested substantially in its R&D efforts since 2008 to upgrade the system so that various sensers from multiple industries could be connected. This is how coal mining ISD evolves into multi-industry ISD system.

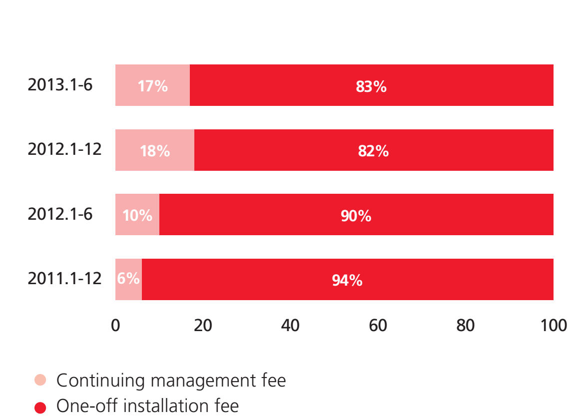
Since the State Administration of Work Safety (SAWS) proposed to complete the consolidation of a Monitoring System Network for China's large and medium-sized enterprises at both the provincial and municipal levels, Anxin-China has shifted its focus to tap into new provinces/cities in an effort to maximize its presence in local markets. The strategy explains the fact that 4,879 out of 5,864 newly-added surveillance points are contributed by new monitoring centers while the balance 985 are secured from existing monitoring centers.

During the first half of 2013, the Group's revenue contribution from the ISD system business segment was primarily derived from (1) one-off installation fee from sales of surveillance points and (2) continuing management fee for ongoing system management and maintenance. Some 83% of the segment's revenue, amounted to HKD425,096,000 was generated by one-off sales of surveillance points, while HKD88,645,000 was generated from continuing management fee, indicating that the ISD system business of Anxin-China is undergoing a rapid growth stage which means great potential to develop new surveillance points.

**New surveillance points**




**Breakdown of ISD Revenue**



## ISS Business Segment

The Group actively integrated the acquisitions made during the previous financial year in order to fully enhance their product technical content and hence establish a solid foundation to penetrate the public safety market. The Group has already finished a full localization of both intelligent video content analysis system and video management software. Meanwhile the Group's R&D team started the migration of video analysis algorithm from x86 system to embedded DSP hardware. Anxin-China has also proposed to two cities for pilot run of ISS business. The two cities are used for the search of operating models for "Intelligent Transportation System" and "Safe City", the two most commonly seen ISS projects, respectively. Positive feedback from pilot cities' government has already been received. The Group expects to formalize the operational and business model within the year and become operationally profitable by then. In addition, in order to avoid having face-to-face competition with current market leaders at this very early stage, the Group actively approaches these market leaders, hoping that a partnership with them could be achieved by leveraging on the different technical/business advantages Anxin-China possesses.

**What is ISS?**

ISS, namely Intelligent Safety Systems, include intelligent software, hardware and other related equipment such as smart cameras, smart DVRs/NVRs, smart sensors, intelligent video analysis systems, etc. Differing from traditional safety systems which can only collect and disseminate data in a passive way, ISS is able to filter a large volume of redundant and invalid information according to one's needs and relay only meaningful information to staff, which greatly improves the efficiency of safety systems. Despite the wide utilization of traditional public safety equipment in areas like traffic management, financial security, property management and safe city settings, the huge amount of redundant data collected restricts their role in providing evidence after incidents take place rather than performing defensive and preventative functions effectively. ISS, however, are able to make predictions and therefore mitigate risks. As a result, the demand for ISS technology is growing rapidly along with the ongoing construction of "Smart Cities." It is believed that in the near future, ISS will be a comprehensive alternative to existing traditional safety devices and become an effective tool in urban management.

**Research Development and Other**

During the period under review, via redefining and redesigning operations schemes of main functions modules with extensive adoption of RCP (Rich Client Platform) techniques, the Group completed various modifications for ISD systems in existing monitoring centers in an effort to provide our clients with more convenient and user-friendly interfaces. Meanwhile, so as to cater for the myriad needs of clients, the Group redesigned the operational module of database interfaces, enabling the system to access different databases. In addition, the Group launched an R&D and design project for the next generation of ISD systems. Technical upgrades have been undertaken on the framework of the transport network and the possibility of touch interfaces has been sought for the new-generation ISD systems, with a view to creating a more efficient ISD system overall with better modularity and greater integration of various subsystems, which lowers the difficulties in subsequent redevelopment and closer user interaction. The Group has also upgraded existing video monitoring products to improve their resolution, coding and decoding capabilities and reliability.

In early 2013, Shenzhen Anxin Digital Development Co., Limited, one of Anxin-China's subsidiaries, was designated to be a Guangdong Academician & Expert Enterprise Workstation（廣東省院士專家企業工作站）. The Group is confident in its ability to turn technological achievements into productivity and yield more socioeconomic benefits for the populace as a whole. In March 2013, Anxin-China and Shenyang University of Chemical Technology（瀋陽化工大學）entered into an Agreement on Integrating Production, Study and Research（產學研合作協議）, pursuant to which the University will provide full support to the R&D of Anxin-China's ISD system business in the coming three years. Both parties will intensify their joint efforts to improve the capabilities of multi-industry ISD systems in monitoring hazardous chemicals and assessing potential risks.

During the period under review, Anxin-China attended several world-renowned exhibitions, including the 4th China International Safety Security Emergency Technology & Equipment Exhibition and the 19th Moscow International Public Security Exhibition. The Group's integrated system solutions sparked great interest among potential customers.

## INDUSTRY REVIEW

China reports a much higher death rate resulting from industrial accidents than developed countries. Socioeconomic losses attributable to various industrial accidents amount to RMB200 billion every year, representing 2% of China's GDP. Industrial safety issues are potential factors hindering social stability. According to "Guidelines on Strengthening the Construction of Platforms for Emergency Management" issued by the State Administration of Work Safety (SAWS) (Document No.114, 2012) in September 2012 （《關於進一步加強安全生產應急平台體系建設的意見》（安監總應急『2012』114號）), SAWS is expecting a well-established network of platforms for emergency management of enterprises and safety monitoring institutions to be operational by end-2015. On the other hand, China also offers great support for the development of the Internet of Things (IOT) revolution. The "Guiding Opinions of the State Council on Promoting the Orderly and Healthy Development of the Internet of Things"(《國務院關於推進物聯網有序健康發展的指導意見》) issued in February stressed the highly effective role of IOT in socioeconomic domains and encourages its functions in maintaining public safety by 2015. The government estimates total work safety industry investment will reach RMB625 billion during the 12th Five-year Plan.

The accelerated pace of China's economic development and urbanization process led to an increasingly complicated public space and civil society. Therefore, there are escalating concerns over public safety issues, and China's "Smart City" (「智慧城市」) strategy is thus gaining ground. According to Essence International, 600-800 PRC cities are building themselves as "Smart Cities" within the 12th Five-year Plan period. Plans issued by local governments indicated a total investment of USD126 billion earmarked for constructing "Smart Cities." The safety industry, as a vital part of "Smart City" construction, is eagerly anticipating a potential boom on further development. Security and protection products have not only been widely used in many areas such as finance, traffic management and government administration, but are also experiencing a rising demand in the areas of education, healthcare, energy and telecommunications. Statistics show the total output value of the safety industry has been expanding for five consecutive years since 2008, at a high growth rate of 20%, which reached RMB320 billion in 2012 and is expected to hit RMB500 billion by 2015.

Anxin-China strives to maintain its leading position in the safety industry given the buoyant market environment. The Group will deepen its roots in industrial safety monitoring and focus on the public safety industry as the ultimate goal. Backed by its mature business model as well as innovative product offerings, Anxin-China is well-positioned to outperform its peers and ride the wave of "Smart Cities" construction to realize the corporate vision of "Anxin-China, Your Safety is Our Business".

## OUTLOOK

The rapid industrialization in China has put a spotlight on the conflicts between a fast-developing economy and the fragile work safety foundation. In addition, the increasing complexity of the socio-environment has hastened the necessity of public safety. The Chinese government is now propelling the construction of "Smart Cities" with a total investment of RMB2 trillion according to the 12th Five-Year Plan, providing enormous opportunities for both industrial safety and public safety surveillance.

Looking ahead, Anxin-China will continue to emphasize on the business development of both business segments. Regarding the ISD system segment, the Group will take advantage of the golden opportunity presented by SAWS' Document No. 114, to focus on business in its existing monitoring cities while also expanding its footprint into new markets so as to generate more revenue. As for the ISS business, the Group will speed up its work in pilot cities and target breaking ground on several projects by end-2013. The valuable experience gained will enable the Group to establish a reasonable and replicable business model to maximize the development potential of the ISS business in the coming years and turn it into another strong revenue source for the Group.

Anxin-China firmly believes that the only way to remain a champion player in the industry is to enhance technical value-added for its products. Therefore, Anxin-China will continue to put more emphasis on R&D for upgrading systematic structures, improving operational efficiency, diversifying systematic features and creating more satisfying customer experiences. In the meantime, the Group will devote more effort to designing the next-generation of ISD system/ISS and further penetrating the market with an integrated system that couples a unique touch interface with the capabilities of eliminating the information de-connectivity and processing ultra-large-scale data. This will ensure the Group's technological leadership in the coming years, hence maintaining its profitability growth. The Group is also striving to achieve a closer cooperation with major universities. The strengthened partnerships with academic communities are expected to be a key driver for technical competitiveness of the Group and will bring inspiration for the development of more advanced ISD system and ISS solutions.

## FINANCIAL REVIEW AND ANALYSIS

### Consolidated Revenue and Gross Profit

For the six months ended 30 June 2013, the Group's consolidated revenue was approximately HK$526,115,000 (six months ended 30 June 2012: HK$405,937,000), an increase of approximately 30%. The gross profit within the period was HK$455,628,000 (six months ended 30 June 2012: HK$363,449,000), an increase of approximately 25%. The increase in the consolidated revenue and gross profit was due primarily to the jump in income from the increase in surveillance points under coverage.

### Segment Information

Details on Segment Information are present at note 4 to the condensed consolidated financial statements.

### Other Revenue

Other Revenue refers mainly to refund of value-added tax, interest income from bank deposit, subsidy income and rental income etc. During the reviewed period, the decrease is because part of the refund of value-added tax has not yet been received from the local Tax Bureau. The value of the refund of value-added tax was approximately HK$30,935,000 (six months ended 30 June 2012: HK$56,187,000).

### Other Gains and (Losses)

Other gains and (losses) refer to the impairment loss of goodwill of Yu Hong Group, gain on fair value changes on contingent consideration shares, foreign currency exchange difference, etc. Details are present at note 6 to the condensed consolidated financial statements. During the reviewed period, other gains amounted to HK$2,098,000 (six months ended 30 June 2012: HK$22,025,000). The change was mainly due to the reversal of impairment loss on trade receivables amounted to HK$23,956,000 for the six months ended 30 June 2012.

### Selling and Distribution Costs

Selling and distribution costs decreased from HK$74,279,000 for the six months ended 30 June 2012 to HK$27,715,000 for the six months ended 30 June 2013. The decrease is primarily due to decrease in the Group's marketing partners' share options expense and net-off with increase in the equity settled share-based payment to the Group's consulting company. The expenses relating to the share options amounted to HK$936,000, (six months ended 30 June 2012: HK$61,112,000). The expense of equity settled share-based payment amounted to HK$19,197,000 (six months ended 30 June 2012: HK$9,598,000).

### Administrative Expenses

Administrative expenses mainly refer to the share option expenses arising from the staff share-based remuneration, staff salaries, office rental etc. The share option expenses amounted to approximately HK$7,789,000 (six months ended 30 June 2012: HK$9,280,000).

### Income Tax Expense

The decrease on the income tax expense for the six months ended 30 June 2013 is due to the decrease on the effective income tax rate of some PRC subsidiaries as compared with prior period.

### Profit attributable to owners of the Company

Profit attributable to owners of the Company for the period was approximately HK$421,996,000 (six months ended 30 June 2012: HK$297,573,000), an increased of 42%.

The driving force behind the increase in profit came from the total effect of increase in revenue, and decrease in selling and distribution costs, administrative expenses and income tax expenses.

### Earnings Per Share

The basic and diluted earnings per share for the period were HK14.74 cents (six months ended 30 June 2012: HK11.05 cents) and HK14.06 cents (six months ended 30 June 2012: HK11.04 cents) respectively.

**Capital expenditure**

During the period, the Group acquired property, plant and equipment of approximately HK$5,034,000 (six months ended 30 June 2012: HK$4,350,000). There is no significant disposal of property, plant and equipment for the six months ended 30 June 2013.

**Liquidity and Financial Resources and Gearing Ratio**

The Group's working capital requirement was funded primarily by cash flows and cash from operating activities. As at 30 June 2013, the Group had cash and cash equivalents amounting to approximately HK$1,964,395,000. (31 December 2012: HK$1,580,697,000)

For the six months ended 30 June 2013, the net cash inflow from operating activities amounted to approximately HK$342,369,000 (six months ended 30 June 2012: HK$211,777,000). The increase was due to the increase in revenue.

As at 30 June 2013, the Group does not have any bank borrowing (31 December 2012: Nil). As at 30 June 2013, the Group's gearing ratio (total liabilities/total assets) is 15.5% (31 December 2012: 16.5%), and the current ratio (current assets/current liabilities) stands at 4.10x (31 December 2012: 4.05x). The drop in gearing ratio and increase in current ratio were due to the increase in cash and cash equivalence under the current assets. The Group maintains a net cash position, which reflects its stable financial position to cater for its future expansion.

**Share Capital**

For the six months ended 30 June 2013, 57,526,884 shares were issued for acquisition of subsidiaries together with exercise of share options, and 2,200,000 shares were repurchased and cancelled by the Group.

**Significant Investments**

Under the reviewed period, the Group has no significant investments.

## DIVIDENDS

The Board has declared the payment of an interim dividend of HK1.4 cents (six months ended 30 June 2012: Nil) per share for the six months ended 30 June 2013. This interim dividend will be payable on 18 October 2013 to shareholders whose names appear on the register of members of the Company on 13 September 2013.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim 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 Friday, 13 September 2013, being the record date for determination of entitlement to the interim dividend, the Company's register of members will be closed on Friday, 13 September 2013. On 13 September 2013, no transfer of shares of the Company will be registered. In order to qualify for the interim 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 Thursday, 12 September 2013.

## EMPLOYEE INFORMATION

As at 30 June 2013, the Group employed a total of 521 employees (31 December 2012: 516). 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 reviewed and recommended by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, for Board approval. During the review period, the employment cost (including directors' emoluments) amounted to approximately HK$24,974,000 (six months ended 30 June 2012: HK$17,234,000).

## RETIREMENT SCHEME

The Group provides retirement benefits to its staff. The retirement contributions paid by the Group are based on certain percentage of the relevant portion of the payroll of all eligible employees in accordance with the relevant regulations in the PRC and are charged to the Statement of Comprehensive Income as incurred. The contributions paid for the six months ended 30 June 2013 and 30 June 2012 were approximately HK$764,000 and HK$433,000 respectively. The Group has made adequate provision in the financial statements in respect of the benefit schemes. In addition, the Group also provides housing and food allowance to its staff.

In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. All Hong Kong based employees and the Group are required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK$1,250 since June 2012 by each of the employee and the Group) on a monthly basis to the fund.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the six months ended 30 June 2013, the Company acquired an aggregate of 2,200,000 of its own shares through purchases on the Stock Exchange at an aggregate consideration of HK$3,575,000 with a view to benefit its shareholders as a whole in enhancing the net assets and earnings per share of the Company. Details of the repurchase are as follows:

| Month of repurchase | Number of shares repurchased | Purchase price per share Highest | Purchase price per share Lowest | Aggregate consideration |
|---|---|---|---|---|
| | | *(HK$)* | *(HK$)* | *(HK$)* |
| April 2013 | 2,200,000 | 1.64 | 1.61 | 3,575,000 |
| Total expenses on shares repurchased | | | | 9,000 |
| | | | | 3,584,000 |

All the 2,200,000 shares repurchased were cancelled on delivery of the share certificates during the six months ended 30 June 2013. The issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled.

During six months ended 30 June 2013, the Company instructed the trustee to purchase an aggregate of 12,076,000 of its own shares through purchases on the Stock Exchange at an aggregate consideration of HK$19,815,000 pursuant to the terms of the rules and trust deed of the share award scheme adopted on 8 April 2013. Details of the purchases are as follows:

| Month of purchase | Number of shares purchased | Purchase price per share Highest | Purchase price per share Lowest | Aggregate consideration |
|---|---|---|---|---|
| | | *(HK$)* | *(HK$)* | *(HK$)* |
| April 2013 | 12,076,000 | 1.70 | 1.60 | 19,815,000 |
| Total expenses on shares purchased | | | | 63,000 |
| | | | | 19,878,000 |

All the 12,076,000 shares purchased were held by the trustee as award shares for vesting to eligible employees in future and were not cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2013.

## CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. Throughout the six months ended 30 June 2013, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules, save for the deviations from code provisions A.2.1, A.4.1 and A.6.7 which are explained below.

### Code Provision A2.1

According to the code provision A2.1 of the Corporate Governance Code, the roles of the chairman and the chief executive officer (the "CEO") should be segregated and should not be performed by the same individual. 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.

### Code Provision A4.1

According to the code provision A4.1 of the Corporate Governance Code, non-executive directors should be appointed for a specific term and subject to re-election. All independent non-executive Directors are appointed for a specific term except for Mr. Cheung Chuen who was not appointed for a specific term but he is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once for every three years according to the articles of association of the Company. The Company considered that such practice meets the same objective and is no less exacting than those prescribed under the code provision A4.1 of the Corporate Governance Code.

**Code Provision A6.7**

According to the code provision A6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, Mr. Adiv Baruch, a non-executive Director, and Mr. Chen Feng, an independent non-executive Director, could not attend the 2013 annual general meeting held on 31 May 2013 ("2013 AGM"). However, at the 2013 AGM, there were executive Directors and all other non-executive Director and independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Shareholders.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry with all Directors, the Company confirmed that in respect of the six months ended 30 June 2013, all Directors had complied with the required standard set out in the Model Code.

## AUDIT COMMITTEE

The audit committee is established with written terms of reference in compliance with the Corporate Governance Code. The audit committee has three members, including the Company's three independent non-executive Directors, namely Professor Li On-kwok, Victor, Mr. Xie Baitang and Mr. Cheung Chuen. Mr. Cheung Chuen is the chairman of the committee. The primary duties of the audit committee are to review the Company's annual report and accounts, interim reports and to provide advice and comments thereon to the Board. In addition, the audit committee will consider any significant and unusual items that are, or may need to be reflected in such reports and accounts and must give due consideration to any matter that has been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. Besides, the audit committee will make recommendations to the Board on matters regarding the appointment of external auditors and auditing fee etc. The audit committee had reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

## REVIEW OF ACCOUNTS

These unaudited condensed consolidated interim financial statements have been reviewed by the Company's auditors.

## PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.anxin-china.com.hk). The interim report of the Company for the six months ended 30 June 2013 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company discloses the changes in information of the Directors as follows:

### Changes in Directors

On 5 June 2013, Mr. Chen Feng has resigned as an independent non-executive Director, members of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee of the Company.

On 5 June 2013, Professor Li On-kwok, Victor has been appointed as an independent non-executive Director, the members of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee of the Company.

### Change in particulars of the Directors

Mr. Wang, John Peter Ben has resigned as non-executive director of China Precious Metal Resources Holdings Co. Ltd. (a company listed on the Main Board of the Stock Exchange) with effect from 31 December 2012 and subsequent to the period under review, Mr. Wang has been re-designated as from the chairman of the board to the deputy chairman of the board of Summit Ascent Holdings Limited (a company listed on the Main Board of the Stock Exchange) with effect from 10 July 2013.

## APPRECIATION

I would like to take this opportunity to extend my deepest gratitude to the Directors and staff as a whole for their immense contribution, dedication and diligence during the period under review.

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

Hong Kong, 29 August 2013

*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 Professor Li On-kwok, Victor.*