



中国安芯
ANXIN-CHINA

2010

Interim Report

Anxin-China Holdings Limited

(Formerly known as "Broad Intelligence International Pharmaceutical Holdings Limited")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1149)

The board of directors (the "Board") of Anxin-China Holdings Limited (the "Company") (formerly known as Broad Intelligence International Pharmaceutical Holdings Limited) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010, together with comparative figures for the corresponding period in 2009.

These interim financial information are unaudited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| TURNOVER | 4 | 177,201 | 65,075 |
| COST OF SALES | | (17,747) | (67,543) |
| GROSS PROFIT/(LOSS) | | 159,454 | (2,468) |
| OTHER REVENUE | | 5,176 | 1 |
| SELLING AND DISTRIBUTION EXPENSES | | (21,855) | (24,882) |
| GENERAL AND ADMINISTRATIVE EXPENSES | | (14,767) | (9,817) |
| AMORTISATION OF INTANGIBLE ASSETS | 10 | (20,223) | (8,093) |
| FAIR VALUE CHANGES ON CONVERTIBLE BONDS | 16 | (17,812) | – |
| WRITE-DOWN OF INVENTORIES | | – | (933) |
| INVENTORIES WRITTEN OFF | | – | (21,527) |
| FINANCE COSTS | | (1,173) | (1,510) |
| PROFIT/(LOSS) BEFORE TAXATION | | 88,800 | (69,229) |
| INCOME TAX EXPENSE | 5 | (28,963) | – |
| PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY | 6 | 59,837 | (69,229) |

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|-------------------------------|
| | | 2010 | 2009 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| OTHER COMPREHENSIVE INCOME/ | | | |
| (EXPENSE): | | | |
| EXCHANGE DIFFERENCES ARISING ON TRANSLATION OF FOREIGN OPERATIONS | | <u>3,023</u> | <u>(2,814)</u> |
| TOTAL COMPREHENSIVE INCOME | | | |
| (EXPENSE) FOR THE PERIOD | | | |
| ATTRIBUTABLE TO OWNERS OF | | | |
| THE COMPANY | | <u><u>62,860</u></u> | <u><u>(72,043)</u></u> |
| EARNINGS/(LOSSES) PER SHARE | | | |
| BASIC | 8 | <u><u>HK4.97 cents</u></u> | <u><u>HK(14.92 cents)</u></u> |
| DILUTED | 8 | <u><u>HK3.72 cents</u></u> | <u><u>HK(14.92 cents)</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

| | | 30 June 2010 | 31 December 2009 |
|--|-------|--------------------------------|------------------------------|
| | Notes | <i>HK\$'000</i> (Unaudited) | <i>HK\$'000</i> (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 117,739 | 124,539 |
| Prepaid lease payments | | 2,147 | 2,184 |
| Prepayments | | – | 17,100 |
| Intangible assets | 10 | 145,855 | 165,965 |
| Goodwill | | <u>660,225</u> | <u>660,225</u> |
| | | <u>925,966</u> | <u>970,013</u> |
| CURRENT ASSETS | | | |
| Inventories | | 6,587 | 8,371 |
| Trade and other receivables | 11 | 117,657 | 177,998 |
| Tax recoverable | | – | 1,660 |
| Bank balances and cash | | <u>229,501</u> | <u>92,329</u> |
| | | <u>353,745</u> | <u>280,358</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 97,146 | 152,109 |
| Bank borrowings | | | |
| – due within one year | 13 | 40,250 | 31,008 |
| Tax liabilities | | <u>21,956</u> | <u>11,200</u> |
| | | <u>159,352</u> | <u>194,317</u> |
| NET CURRENT ASSETS | | <u>194,393</u> | <u>86,041</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,120,359</u> | <u>1,056,054</u> |

| | | 30 June 2010 | 31 December |
|---|--------------|---------------------|-------------|
| | <i>Notes</i> | HK\$'000 | 2009 |
| | | (Unaudited) | HK\$'000 |
| | | | (Audited) |
| CAPITAL AND RESERVES | | | |
| Share capital | 14 | 146,128 | 100,430 |
| Reserves | | 471,012 | 246,417 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | 617,140 | 346,847 |
| | | <hr/> | <hr/> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 12,984 | 14,759 |
| Bank borrowings | | | |
| – due after one year | 13 | – | 14,592 |
| Convertible bonds | 15 | 490,235 | 679,856 |
| | | <hr/> | <hr/> |
| | | 503,219 | 709,207 |
| | | <hr/> | <hr/> |
| | | 1,120,359 | 1,056,054 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

| | Share capital | Share premium | Statutory reserve | General reserve | Special reserve | Exchange reserve | Share option reserve | Warrant reserve | Retained profits/ (Accumulated losses) | Total |
|---|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------------|--------------------|---|-----------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2009 (audited) | 46,390 | 77,994 | 20,416 | 33,955 | 19,608 | 78,139 | 287 | - | 375,711 | 652,500 |
| Total comprehensive loss for the period | - | - | - | - | - | (2,814) | - | - | (69,229) | (72,043) |
| Issue of warrants | - | - | - | - | - | - | - | 1,558 | - | 1,558 |
| Share option lapsed | - | - | - | - | - | - | (287) | - | 287 | - |
| At 30 June 2009 (unaudited) | <u>46,390</u> | <u>77,994</u> | <u>20,416</u> | <u>33,955</u> | <u>19,608</u> | <u>75,325</u> | <u>-</u> | <u>1,558</u> | <u>306,769</u> | <u>582,015</u> |
| At 1 January 2010 (audited) | 100,430 | 297,109 | 20,416 | 33,955 | 19,608 | 76,121 | - | - | (200,792) | 346,847 |
| Total comprehensive income for the period | - | - | - | - | - | 3,023 | - | - | 59,837 | 62,860 |
| Issue of shares on conversion of convertible bonds | 45,698 | 161,735 | - | - | - | - | - | - | - | 207,433 |
| At 30 June 2010 (unaudited) | <u>146,128</u> | <u>458,844</u> | <u>20,416</u> | <u>33,955</u> | <u>19,608</u> | <u>79,144</u> | <u>-</u> | <u>-</u> | <u>(140,955)</u> | <u>617,140</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| NET CASH GENERATED FROM/(USE IN) OPERATING ACTIVITIES | 167,511 | (3,278) |
| NET CASH GENERATED FROM INVESTING ACTIVITIES | 16,657 | 1 |
| NET CASH (USE IN)/GENERATED FROM FINANCING ACTIVITIES | (49,453) | 1,341 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 134,715 | (1,936) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 92,329 | 3,314 |
| EFFECT OF FOREIGN EXCHANGES RATES CHANGES, NET | 2,457 | 571 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 229,501 | 1,949 |
| ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 229,501 | 1,949 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. GENERAL

The Company was incorporated in the Cayman Islands on 16 April 2003 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) with effect from 24 November 2003. The addresses of the registered office and principal place of business of the Company are M&C Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Unit 1903 Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong respectively.

The principal activities of the Group are manufacture, sale, research and development of pharmaceutical products and sale of system hardwares and application softwares for installation of high technology intelligent security warning systems and provision of system solutions services and investment holding.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34), “Interim Financial Reporting”.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

| | |
|---------------------|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendment) | Eligible Hedged Items |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HK (IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners |

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

Six months ended 30 June 2010

| | Pharmaceutical business <i>HK\$'000</i> | Security warning system business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--------------------------|
| Reportable segment revenue from external customers | <u>27,339</u> | <u>149,862</u> | <u>177,201</u> |
| Reportable segment profit | <u>1,101</u> | <u>126,132</u> | <u>127,233</u> |
| Fair value changes on convertible bonds | | | (17,812) |
| Amortisation charges of intangible assets on acquisition | | | (17,751) |
| Unallocated corporate expenses (net) | | | <u>(2,870)</u> |
| Profit before taxation | | | <u>88,800</u> |

Six months ended 30 June 2009

| | Pharmaceutical business <i>HK\$'000</i> | Security warning system business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--------------------------|
| Reportable segment revenue from external customers | <u>65,075</u> | <u>–</u> | <u>65,075</u> |
| Reportable segment loss | <u>(66,024)</u> | <u>–</u> | <u>(66,024)</u> |
| Unallocated corporate expenses (net) | | | <u>(3,205)</u> |
| Loss before taxation | | | <u>(69,229)</u> |

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of fair value changes on convertible bonds, amortisation charges of intangible assets on acquisition and unallocated corporate expenses (net). This is the measure reported to the executive directors, being the chief operating decision makers of the Group for the purposes of resource allocation and performance assessment.

5. INCOME TAX EXPENSE

| | Six months ended 30 June, | |
|---|---------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Current Tax – PRC enterprise income tax | 30,738 | – |
| Deferred taxation – Reversal of temporary differences | (1,775) | – |
| | <u>28,963</u> | <u>–</u> |

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$nil).

Tax charge on profits assessable in the PRC had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period are stated after charging the following:

| | Six months ended 30 June, | |
|--|---------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Amortisation of intangible assets (<i>note 10</i>) | 20,223 | 8,093 |
| Amortisation of prepaid lease payments | 55 | 55 |
| Auditor's remuneration | – | – |
| Depreciation of property, plant and equipment | 8,401 | 24,022 |
| Staff costs (including directors' remuneration) | | |
| Salaries and allowance | 3,526 | 2,652 |
| Contributions to retirement scheme | 407 | 367 |
| | <u>3,933</u> | <u>3,019</u> |
| Operating lease payment in respect of premises | <u>385</u> | <u>530</u> |

7. DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$nil).

8. EARNINGS/(LOSSES) PER SHARE

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

| | Six months ended 30 June, | |
|---|----------------------------------|-----------------|
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| <i>Earnings (losses)</i> | | |
| Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (losses) per share | <u>59,837</u> | <u>(69,229)</u> |
| Effect of dilutive potential ordinary shares on fair value changes in convertible bonds | <u>17,812</u> | <u>–</u> |
| Earnings (losses) for the purpose of diluted earnings (losses) per shares | <u>77,649</u> | <u>(69,229)</u> |
| | <i>'000</i> | <i>'000</i> |
| <i>Number of shares</i> | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,204,328 | 463,899 |
| Effect of dilutive potential ordinary shares on convertible bonds | <u>882,340</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>2,086,668</u> | <u>463,899</u> |

9. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2010, the Group spent approximately HK\$577,000 (30 June 2009: HK\$nil) on acquisition of property, plant and equipment.

10. INTANGIBLE ASSETS

| | Patents <i>HK\$'000</i> | Technology <i>(Note)</i> <i>HK\$'000</i> | Customer base <i>(Note)</i> <i>HK\$'000</i> | Unfinished contracts <i>(Note)</i> <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|----------------------------|--|--|---|--------------------------|
| Cost or valuation | | | | | |
| As at 1 January 2009 (audited) | 144,096 | – | – | – | 144,096 |
| Exchange adjustments | 1 | – | – | – | 1 |
| Acquisition of subsidiaries | – | 122,621 | 21,613 | 13,203 | 157,437 |
| At 31 December 2009 and 1 January 2010 (audited) | 144,097 | 122,621 | 21,613 | 13,203 | 301,534 |
| Exchange adjustments | 1,264 | – | – | – | 1,264 |
| At 30 June 2010 (unaudited) | 145,361 | 122,621 | 21,613 | 13,203 | 302,798 |
| Accumulated depreciation and impairment losses | | | | | |
| As at 1 January 2009 (audited) | 52,192 | – | – | – | 52,192 |
| Exchange adjustments | 357 | – | – | – | 357 |
| Amortisation | 16,188 | 4,523 | 797 | 1,490 | 22,998 |
| Impairment loss | 60,022 | – | – | – | 60,022 |
| At 31 December 2009 and 1 January 2010 (audited) | 128,759 | 4,523 | 797 | 1,490 | 135,569 |
| Exchange adjustments | 1,151 | – | – | – | 1,151 |
| Amortisation | 2,472 | 11,790 | 2,078 | 3,883 | 20,223 |
| At 30 June 2010 (unaudited) | 132,382 | 16,313 | 2,875 | 5,373 | 156,943 |
| Carrying mount | | | | | |
| At 30 June 2010 (unaudited) | 12,979 | 106,308 | 18,738 | 7,830 | 145,855 |
| At 31 December 2009 (audited) | 15,338 | 118,098 | 20,816 | 11,713 | 165,965 |

Note: Intangible assets arising from the acquisition of Eagle Mascot Limited and its subsidiaries, on 22 October 2009 included technology, customer base and unfinished contracts totalling HK\$157,437,000 and the amortisation charge of these intangible assets is HK\$17,751,000 in current period.

11. TRADE AND OTHER RECEIVABLES

| | 30 June 2010 HK\$'000 (Unaudited) | 31 December 2009 HK\$'000 (Audited) |
|------------------------------------|--|--|
| Trade receivables | 82,470 | 104,374 |
| Other receivables | 8,413 | 10,084 |
| Amounts due from related companies | 483 | 24,956 |
| | <hr/> | <hr/> |
| Loans and receivables | 91,366 | 139,414 |
| Prepayments and deposits | 12,687 | 38,584 |
| Other tax recoverables | 13,604 | – |
| | <hr/> | <hr/> |
| | 117,657 | 177,998 |
| | <hr/> <hr/> | <hr/> <hr/> |

The following is an aging analysis of trade receivables, presented based on the invoice date, net of allowance for doubtful debts:

| | 30 June 2010 HK\$'000 (Unaudited) | 31 December 2009 HK\$'000 (Audited) |
|----------------|--|--|
| Within 60 days | – | 48,705 |
| 61 – 90 days | 58,205 | 36,699 |
| 91 – 180 days | 24,265 | 2,111 |
| 181 – 365 days | – | 16,302 |
| Over 1 year | – | 557 |
| | <hr/> | <hr/> |
| | 82,470 | 104,374 |
| | <hr/> <hr/> | <hr/> <hr/> |

Trade receivables are due within 90 days from the date of billing. Trade receivables generally include the balances yet to be due such as the quality retention monies (typically 5% to 20% of the total contracted value) that are retained by the customers until the fulfillment of the warranty period of generally 1 to 2 years and receivable pursuant to the payment terms of the respective contracts.

12. TRADE AND OTHER PAYABLES

| | 30 June 2010 HK\$'000 (Unaudited) | 31 December 2009 HK\$'000 (Audited) |
|--|--|--|
| Trade payables | 1,211 | 1,396 |
| Accrued and other payables | 22,866 | 28,160 |
| Temporary receipts | 39,500 | – |
| Amount due to a director | 14,690 | 500 |
| Construction work payable | 15,207 | 62,850 |
| Dividend payable | 1 | 42,531 |
| Amounts due to related companies | – | 9,380 |
| | <hr/> | <hr/> |
| Financial liabilities measured at amortised cost | 93,475 | 144,817 |
| Other PRC tax payables | 3,671 | 7,292 |
| | <hr/> | <hr/> |
| | 97,146 | 152,109 |
| | <hr/> <hr/> | <hr/> <hr/> |

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting date:

| | 30 June 2010 HK\$'000 (Unaudited) | 31 December 2009 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | – | – |
| 31 – 90 days | – | 1,182 |
| 91 – 180 days | – | 148 |
| 181 – 365 days | 1,211 | 66 |
| | <hr/> | <hr/> |
| | 1,211 | 1,396 |
| | <hr/> <hr/> | <hr/> <hr/> |

13. BANK BORROWINGS

At 30 June 2010, the bank loans were secured and repayable as follows:

| | 30 June 2010 (Unaudited) HK\$'000 | 31 December 2009 (Audited) HK\$'000 |
|---|--|--|
| Carrying amount repayable: | | |
| – on demand or within one year | 40,250 | 31,008 |
| – more than one year, but not exceeding two years | <u>–</u> | <u>14,592</u> |
| | 40,250 | 45,600 |
| <i>Less:</i> Amounts due within one year shown under current liabilities | <u>(40,250)</u> | <u>(31,008)</u> |
| | <u>–</u> | <u>14,592</u> |

The effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans are as follows:

| | 30 June 2010 | | 31 December 2009 | |
|---|--|----------------------|-------------------------------|---------------|
| | Effective interest rate | HK\$'000 | Effective interest rate | HK\$'000 |
| Fixed-rate bank loan (<i>Note a</i>) | 5.31% | 23,000 | 5.31% | 22,800 |
| Variable-rate bank loan (<i>Note b</i>) | 5.37% | 17,250 | 6.81% | 22,800 |
| | | <u>40,250</u> | | <u>45,600</u> |

- a) The bank loan was secured by a property of a related company, in which a director of Shenzhen Anxin Digital Development Company Limited, a subsidiary of the Group has controlling interest.
- b) The bank loan was secured by a corporate guarantee to the extent of HK\$23,000,000 executed by an independent mortgage company.

14. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|--|--|--|--|
| | 30 June 2010 '000 (Unaudited) | 31 December 2009 '000 (Audited) | 30 June 2010 HK\$'000 (Unaudited) | 31 December 2009 HK\$'000 (Audited) |
| Ordinary shares of HK\$0.1 each | | | | |
| <i>Authorised:</i> | | | | |
| At 1 January 2010 and 30 June 2010 | <u>4,000,000</u> | <u>4,000,000</u> | <u>400,000</u> | <u>400,000</u> |
| <i>Issued and fully paid:</i> | | | | |
| At 1 January 2010 | 1,004,299 | 463,899 | 100,430 | 46,390 |
| Issue of new share on exercise of warrant | – | 92,000 | – | 9,200 |
| Issue of consideration shares on acquisition of subsidiaries | – | 131,000 | – | 13,100 |
| Issue of shares on conversion of convertible bonds | <u>456,985</u> | <u>317,400</u> | <u>45,698</u> | <u>31,740</u> |
| At 30 June 2010 | <u>1,461,284</u> | <u>1,004,299</u> | <u>146,128</u> | <u>100,430</u> |

15. CONVERTIBLE BONDS

| | 30 June 2010 (Unaudited) HK\$'000 | 31 December 2009 (Audited) HK\$'000 |
|---|--|--|
| Convertible bonds measured at fair value: | | |
| At the beginning of the period | 679,856 | – |
| Issued during the period | – | 799,648 |
| Change in fair value | 17,812 | 21,924 |
| Conversion to shares | (207,433) | (141,716) |
| | <u>490,235</u> | <u>679,856</u> |
| At the end of the period | <u>490,235</u> | <u>679,856</u> |

On 22 October 2009, the Company issued convertible bonds (the “Convertible Bonds”) in an aggregate principal amount of HK\$1,179,850,000. There were two tranches within the Convertible Bonds, HK\$889,850,000 in principal amount of Tranche 1 convertible bonds and HK\$290,000,000 in principal amount of Tranche 2 convertible bonds. The net proceeds from the issue of the convertible bonds are used to finance the acquisition of Eagle Mascot Group.

The principal terms of the Convertible Bonds are as follows:

a) Optional conversion

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

b) Redemption at the option of the Company

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

The convertible bonds was designated as “financial liabilities at FVTPL” which requires the bonds to be carried at fair value at the reporting date and the changes in fair values are recognised in profit or loss in the period in which they rise. During the period ended 30 June 2010, a loss on change in its fair value of approximately HK\$17,812,000 (six months ended 30 June 2009: HK\$nil) is recognised in the condensed consolidated statement of comprehensive income.

On 4 January 2010, 5 January 2010, 16 April 2010, 28 April 2010, 17 May 2010 and 14 June 2010, the convertible bonds in an aggregate principal amount of HK\$33,540,400, HK\$10,000,000, HK\$130,000,000, HK\$23,059,400, HK\$97,500,000, and HK\$2,940,600 respectively were converted into the Company’s shares at a conversion price of HK\$0.65 per share. As a result of the conversion, 456,985,230 new shares were issued.

The binomial model is used in the valuation of the fair value of the convertible bonds by Jones Lang LaSalle Sallmanns, an independent professional valuer. Inputs into the model are as follows:

| | 22 October 2009 | 31 December 2009 | 30 June 2010 |
|----------------------------|----------------------------|-----------------------------|-------------------------|
| Stock price | HK\$0.70 | HK\$0.62 | HK\$0.70 |
| Exercise price | HK\$0.65 | HK\$0.65 | HK\$0.65 |
| Risk-free rate of interest | 1.142% | 1.929% | 1.45% |
| Dividend yield | 0% | 0% | 0% |
| Time to expiration | 5 years | 4.8 years | 4.32 years |
| Volatility | <u>59.83%</u> | <u>60.43%</u> | <u>71.93%</u> |

Notes:

- i) The risk-free rate of interest adopted was reference to yield of HKMA 5 year Exchange Fund Bill and Notes Fixings as at the valuation date.
- ii) The dividend yield adopted was based on the dividend yield of the Company and discussion with the management regarding the future dividend policy.
- iii) The volatility adopted was based on the Company’s 5-years daily historical share price volatility.

16. CAPITAL COMMITMENTS

At 30 June 2010, the Group had outstanding capital commitments as follows:

| | 30 June 2010 (Unaudited) HK\$'000 | 31 December 2009 (Audited) HK\$'000 |
|---|--|--|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements: | | |
| – acquisition of intangible assets | 5,700 | 5,700 |
| – leasehold improvements | 5,671 | 5,671 |
| | 11,371 | 11,371 |

17. RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions:

(a) Amounts due from related companies, included in trade and other receivables, comprise:

| Name of related companies | Nature of relationship | 30 June 2010 HK\$'000 | 31 December 2009 HK\$'000 |
|---|---|-----------------------------|---------------------------------|
| 深圳市元軒科技發展有限公司 (formerly know as 深圳市隱形貓安防技術有限公司) | The shareholder is 深圳市業軒投資發展有限公司, a company controlled by a director of Shenzhen Anxin Digital Development Company Limited (深圳市安芯數字發展有限公司), a subsidiary of the Group | 253 | 4,788 |
| 深圳水三元置業有限公司 | The shareholder is a director of Shenzhen Anxin Digital Development Company Limited (深圳市安芯數字發展有限公司), a subsidiary of the Group | 230 | – |
| 深圳市朗眾文化傳播有限公司 | A company controlled by a relative of a director of Shenzhen Anxin Digital Development Company Limited (深圳市安芯數字發展有限公司), a subsidiary of the Group | – | 13,758 |
| 江蘇省高標房地產開發有限公司 | The shareholder is 深圳市業軒投資發展有限公司, a company controlled by a director of Shenzhen Anxin Digital Development Company Limited (深圳市安芯數字發展有限公司), a subsidiary of the Group | – | 4,560 |
| 深圳市業軒投資發展有限公司 | A company controlled by a director of Shenzhen Anxin Digital Development Company Limited (深圳市安芯數字發展有限公司), a subsidiary of the Group | – | 1,850 |
| | | 483 | 24,956 |

The amounts due from related companies are unsecured, non-interest bearing and repayable on demand.

(b) Other related parties transactions

At 30 June 2010, the bank loan of HK\$23,000,000 with fixed-rate borrowings was secured by a property of a related company, in which a director of An-xin has controlling interest.

18. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 23 July 2010, the Board approved and confirmed the disposal of its entire issued share capital of the subsidiary, Long Master International Limited and according to the disposal agreement, the amount due to a director with HK\$13,000,000 as at 30 June 2010 will be waived.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Highlights

For the six months ended 30 June 2010, the consolidated turnover of the Group amounted to approximately HK\$177 million (for the six months ended 30 June 2009: HK\$65 million), representing an increase of approximately 172.3% over the corresponding period last year. Gross profit margin was approximately 90.0% (for the six months ended 30 June 2009: (3.8%)). Profit/(loss) after tax was approximately HK\$59.8 million (for the six months ended 30 June 2009: HK\$(69.2 million)), representing an increase of 186% over the corresponding period last year. Basic earnings/(loss) per share was HK4.97 cents (2009: HK(14.92 cents)).

Among the consolidated turnover HK\$177 million for the first six months of 2010, the turnover of security protection business and pharmaceutical business amounted to HK\$150 million and HK\$27 million respectively (for the six months ended 30 June 2009: HK\$ nil and HK\$65 million respectively).

Dividend

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2010.

Business Review

Disposal of Pharmaceutical Business

The performance of the pharmaceutical business was not satisfactory due to the fact that the Group sells large volume parenteral solution and small volume parenteral solution belonging to the general medicines of which supply in the market is relatively abundant. Our marketing strategy failed to meet the market changes which led to the unsatisfactory sales.

Besides, intense market competition as well as falling product price presents plenty of challenges to manufacturing and sales condition of the pharmaceutical industry. Meanwhile, the adoption of a tender system for medicine procurement in each province and city in the PRC narrowed down the Group's point of sales to a certain extent. Moreover, in order to manufacture pharmaceutical products, the Group is required to obtain Good Manufacturing Practice Certificates (the "GMP Certificates") from the relevant authorities. The GMP Certificates have to be renewed at regular intervals, and the renewal is subject to reassessment by the relevant authorities. The directors are of the view that it is not in the interests of the Group to commit further capital resources in the parenteral solutions sector in order to renew the GMP Certificates.

The Group understands that only by injecting considerable capital investments and recruiting professional talents for the research and development of patented medicines could improve the sales performance of the pharmaceutical business of the Group. As such, the directors consider that the disposal of the loss making business would better serve the interests of the shareholders. Also, the directors believe that the disposal would allow the Group to concentrate its resources on the provision of high technology intelligent security warning systems, which is of better prospects.

In the extraordinary general meeting held on 23 July 2010, all the shareholders supported the disposal of pharmaceutical business.

Develop Security Protection Business

The Group, as an advanced technology and software enterprise that committed to public security, production security and civil security, is an equipment manufacturer, systems provider and operating service provider that is specialized in the research and development in intelligent security warning field. Security protection business covers the remote real-time detection and monitoring of security production; remote real-time online detection and monitoring on fixed and moving origins of peril for petroleum, metallurgy and chemical industries; research and development on the application in the fields such as emergency rescue command system and new model of security production appraisal system for security warning and disasters; various intelligent embedded data collection and research, application development and product manufacture of transmitting terminal equipments; research and manufacture products for underground monitoring system of coal mines, etc.

Change of Company Name

To better reflect the Group's business, the Board proposed to change the name of the Company. Besides, the Board believes that the new name can help improving the Company's corporate image and reputation, which is in the interests of the Company and the Company's shareholders ("Shareholders") as a whole. The English name of the Company will be changed from "Broad Intelligence International Pharmaceutical Holdings Limited" to "Anxin-China Holdings Limited", whereas the Chinese name of the Company will be changed from "博智國際藥業控股有限公司" to "中國安芯控股有限公司".

Prospects

The Group is dedicated to the security production business of the country whole-heartedly, striving to have significant contribution towards it so as to become a worldwide leading intelligent security warning enterprise as well as achieving the goal of acting as the chief solutions provider, industry leader and the pioneer in applying modern information technology to traditional industries of the security production business.

CAPITAL AND OTHER INFORMATION OF THE GROUP

Financial Information

The Group had bank balances and cash amounting approximately HK\$229,501,000 as at 30 June 2010. They were denominated in Renminbi and Hong Kong dollars. The Group had outstanding bank borrowings of HK\$40,250,000, of which HK\$17,250,000 was secured by the corporate guarantee given by an independent mortgage company, whereas HK\$23,000,000 was secured by the premises owned by related companies. Our gearing ratio was 51.78% (2009: 72.26%). As at 30 June 2010, the current ratio and quick ratio were 2.22 and 2.18 respectively (as at 31 December 2009: 1.44 and 1.40 respectively). As at 30 June 2010, debtors turnover period, inventory turnover period and creditors turnover period were 83.77 days, 6.69 days and 37.69 days respectively (as at 31 December 2009: 217.11 days, 24.07 days and 14.62 days respectively).

Contingent Liabilities

As at 30 June 2010, the Group and the Company did not have any significant contingent liabilities (2009: nil).

Employees and Remuneration Policy

As at 30 June 2010, the Group had a total of 326 employees (2009: 114 employees). 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.

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 qualifying employees in accordance with the relevant regulations in the PRC and are charged to the income statement as incurred. The contributions paid for the six months ended 30 June 2010 and June 2009 was approximately HK\$504,000 and HK\$471,000 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 allowances 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 the monthly wages of individual employees respectively (up to a maximum contribution of HK\$1,000 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 bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

DIRECTORS' INTEREST IN SHARE CAPITAL

As at 30 June 2010, the interests of the Directors in the Share Capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI were as follows:

| Director | No. of Shares Held | Percentage of Interest <i>(Corporate interest (Note))</i> |
|-----------------|---------------------------|---|
| Zhong Houtai | 211,720,000 | 14.49% |

Notes:

1. The shares are registered under the name of Elite Achieve Limited.
2. The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.
3. Under the Securities and Futures Ordinance, Mr. Zhong Houtai is deemed to be interested in all the shares registered in the name of Elite Achieve Limited.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the share capital or debt securities of the Company or any of its associated corporations as defined in the SDI.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the section headed "Directors' Interests in Share Capital" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time during the period ended 30 June 2010.

SHARE OPTION SCHEME

The share option scheme is effective for a term of ten years from 3 November 2003.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons or companies (other than the Directors and chief executives) had interest or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group were as follow:

| Name of substantial shareholder | Capacity in which shares were held | Number of shares | Number of underlying shares | Total | Approximate percentage of shareholding |
|---------------------------------|---|------------------|-----------------------------|-------------|--|
| Yang Kezhi | Interest of controlled corporation (<i>Note 3</i>) | 131,000,000 | 615,384,615 | 746,384,615 | 51.08% |
| Golden Bright Holdings Limited | Beneficial owner and Interest of controlled corporation (<i>Note 3</i>) | 131,000,000 | 615,384,615 | 746,384,615 | 51.08% |
| Talent Eagle Holdings Limited | Beneficial owner (<i>Note 3</i>) | 76,000,000 | 615,384,615 | 691,384,615 | 47.31% |
| Wu Wenying | Interest of controlled corporation (<i>Note 4</i>) | 30,769,230 | 415,384,616 | 446,153,846 | 30.53% |
| Heroic Rich Limited | Beneficial owner (<i>Note 4</i>) | 30,769,230 | 415,384,616 | 446,153,846 | 30.53% |
| Wang Huiru | Interest of controlled corporation (<i>Note 5</i>) | 110,000,000 | 0 | 110,000,000 | 7.53% |
| Top Service Holdings Limited | Beneficial owner (<i>Note 5</i>) | 110,000,000 | 0 | 110,000,000 | 7.53% |

Notes:

1. The above are all long positions in the ordinary shares of the Company.
2. On 22 October 2009, the Company issued convertible bonds (the “Convertible Bonds”) in an aggregate principal amount of HK\$1,179,850,000. There were two tranches within the Convertible Bonds, HK\$889,850,000 in principal amount of tranche 1 Convertible Bonds and HK\$290,000,000 in principal amount of tranche 2 Convertible Bonds. The issue of the Convertible Bonds is used for acquisition purpose. The Convertible Bonds, with maturity date of 22 October 2014, are convertible into shares at an conversion price of HK\$0.65 per share during the conversion period. As at 30 June 2010, an equivalent amount of HK\$483,350,000 tranche 1 Convertible Bonds and HK\$20,000,000 tranche 2 of Convertible Bonds have been converted into ordinary shares of the Company. As at 30 June 2010, the equivalent amount of the remaining balance of tranche 1 Convertible Bonds and tranche 2 Convertible Bonds are HK\$406,500,000 and HK\$270,000,000 respectively.
3. The entire share capital of Talent Eagle Holdings Limited is legally and beneficially owned by Golden Bright Holdings Limited and the entire share capital of Golden Bright Holdings Limited is legally and beneficiary owned by Mr. Yang Kezhi. Therefore, Mr. Yang Kezhi is deemed to be interested in the 1,146,384,615 shares held by Golden Bright Holdings Limited and Talent Eagle Holdings Limited under the SFO.
4. The entire share capital of Heroic Rich Limited is legally and beneficially owned by Wu Wenying. Therefore, Wu Wenying is deemed to be interested in the 446,153,846 shares held by Heroic Rich Limited under the SFO.
5. The entire share capital of Top Service Holdings Limited is legally and beneficially owned by Wang Huiru. Therefore, Wang Huiru is deemed to be interested in the 110,000,000 shares held by Top Service Holdings Limited under the SFO.

Save as disclosed above, as at 30 June 2010, the Directors are not aware of any other person (other than the Directors, whose interests are set out in the paragraph headed “Directors’ Interest in Share Capital”), had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register kept by the Company under Part XV of section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or is existing during the six months ended 30 June 2010.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the period ended 30 June 2010, except for those disclosed in note 17 to the financial statements, the Group had no transactions with related or connected parties.

CORPORATE GOVERNANCE

Corporate governance practices

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 period ended 30 June 2010, the Group has applied the principles and complied with most of the code provisions and recommended best practices prescribed in the Code on Corporate Governance Practices (“CG Code”) set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The following describes the Company’s corporate governance practices, explains the applications of the principles of the CG Code and deviations, if any.

None of the directors is aware of any information that would reasonably indicate that the Company or any of its directors were not in compliance with the Model Code or the CG Code at any time for the period ended 30 June 2010. In the opinion of the Board, the Company had fully complied with the provisions as provided under the Corporate Governance Code during the interim period except as indicated below. In order to be in compliance with the provisions as provided under the Corporate Governance Code, the Company established an audit committee and a remuneration committee.

CODE Provision A2.1

According to the code provision A2.1 of the CG Code, the roles of the chairman and the chief executive officer should be segregated. However, the Company has no chief executive officer currently. Mr. Zhong Houtai is the chairman and executive Director of the Company responsible for the Group’s operations in the PRC. The responsibility of that of a chief executive officer is currently taken up by the chairman of the Company. If the Company can identify a suitable person with capable leadership, knowledge on security and protection business and relevant skills and experiences for the post from within the Group or outside, the Company may consider appointing a chief executive officer. Owing to the business nature and scope of the Company, a suitable person shall have profound understanding and experiences on security and protection business, therefore there is no definite timetable for the appointment of chief executive officer.

CODE Provision A4.1

According to the code provision A4.1 of the CG Code, independent non-executive directors should be appointed for a specific term of service. However, independent non-executive Directors of the Company are not appointed for a specific term as required under the CG Code, but they are subject to retirement in rotation at the annual general meeting of the Company according to the bye-laws of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance of Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing over one-third of the Board of Directors. Amongst them, Mr. Cheung Chuen, who is currently a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and has more than 10 years' experience in accounting and auditing, has the appropriate professional qualifications required under Rule 3.10(2) of the Listing Rules.

The independent non-executive Directors have participated in Board meetings as well as its various Board committees, and have given their opinions on the decision making on significant matters by making use of their professional knowledge and experience. They have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. The Board considered that all non-executive Directors to be independent in character and judgement. None of the independent non-executive Directors have relationships or circumstances that are likely to effect their professional judgement and the independent non-executive Directors have made active contribution to protecting the interests of the Company as a whole and the legal rights of all of shareholders of the Company, as well as promoting the healthy development of the Company. Three independent non-executive Directors separately submitted their confirmation letters on their independence, confirming that they had strictly observed the requirements for independence as set out in rule 3.13 of the Listing Rules during the period under review. Independent non-executive Directors are independent persons of the Company.

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 2010, 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 CG Code. The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Pei Renjiu, Mr. Li Kai Ming and Mr. Cheung Chuen. Mr. Cheung Chuen is the chairman of the committee. The 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. Every year, the audit committee meets with external auditors of the Company to discuss the annual audit plan. 2 meetings were held during the current period including to review the unaudited financial statements for the six months ended 30 June 2010.

NOMINATION COMMITTEE

According to the CG Code, the Company shall set up a nomination committee with a majority of the members thereof being independent non-executive directors. However, the Company did not establish a nomination committee. The process and criteria adopted by the Board to select and recommend candidates for directorship are based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

REMUNERATION COMMITTEE

The remuneration committee is established with a defined terms of reference in consistence with the CG Code and it is available from the Company Secretary at any time. The duties of the remuneration committee includes making recommendations with respect to the remuneration of the executive Directors for approval by the Board, reviewing and recommending salaries, bonuses, merit plans, reward and recognition strategies, including the appropriation of funds for incentive awards for Directors, and administering and making determinations with regard to the Company's share option scheme.

The remuneration committee is led by Mr. Li Kai Ming, an independent non-executive Director. Member of the remuneration committee includes Mr. Pei Renjiu and Mr. Cheung Chuen, both are independent non-executive Directors.

PUBLIC FLOAT

As at the date of this report, the Company had maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's Directors.

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.

By order of the board

Zhong Houtai

Chairman

30 August 2010